COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)
(NINTH LEGISLATIVE ASSEMBLY)

ELEVENTH REPORT

ON

THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA FOR THE YEAR ENDED 31st MARCH 1989 - No.4 (COMMERCIAL) ON ANDHRA PRADESH STATE ESSENTIAL COMMODITIES CORPORATION LIMITED.

(Presented to the Legislature on 18-3-93

COMMITTEE ON PUBLIC UNDERTAKINGS

(1991-92)

(Constituted on the 8th October, 1991)

Chairman :

1. Sri J.K. Reddy

Members :

2. Smt. Mary Ravindranath
3. Sri Ambati Rambabu
4. Sri B. Veda Vyas
5. Dr. K. Madan Mohan Reddy
6. Sri Gurunath Reddy
7. Sri P. Kista Reddy
8. Sri K. Rambhupal Reddy
   (Resigned on 11-1-1993)
9. Sri J. Sriranganayakulu
10. Sri A. Sudarshan
11. Dr. S. Venugopalachari
12. Sri K. Ramachandra Raju
13. Sri G. Appala Suryanarayana
14. Sri Ch. Vidyasagar Rao
15. Sri Mohd. Virasat Rasool Khan

Legislature Secretariat :

1. Sri A.V.G. Krishnamurthy, Secretary
2. Smt. M.V.S. Jayalakshmi, Joint Secretary
3. Sri A. Venkata Rao, Assistant Secretary
4. Sri J.S.R. Murthy, Section Officer.

ACCOUNTANT GENERAL'S OFFICE

1.	Sri J.C. Jagannadham	Accountant General (Audit-II)
2.	Sri K. Ramachandran	Deputy Accountant General
3.	Sri V. Balakrishna Murthy	Audit Officer
4.	Sri A.V.G.V. Prabhakara Rao	Section Officer

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1991-92) having been authorised by the Committee, present this Report on behalf of the Committee on Andhra Pradesh State Essential Commodities Corporation Limited.

The Committee held four sittings to record the oral evidence.

The Committee met on 23-1-1993 considered and approved the Draft Report.

The Committee wishes to express their thanks to the Secretary to Government, Food and Agriculture Department, the Managing Director and the other officials of the Andhra Pradesh State Essential Commodities Corporation Limited for the cooperation they have extended and for placing the required information and material before the Committee.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant General (Audit-II) Andhra Pradesh, the other officers and staff of Accountant General's Office and also the Secretary to Legislature, the other officers and staff of Legislature Department in the examination of the general working and in consideration of audit paras relating to Andhra Pradesh State Essential Commodities Corporation Limited and in preparation of this Report.

J.K. REDDY,
Chairman,
Committee on Public Undertakings.

Hyderabad,
Dated: 23-1-1993.

RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (9TH LEGISLATIVE ASSEMBLY)

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 1989 - No. 4 (COMMERCIAL)

ANDHRA PRADESH STATE ESSENTIAL COMMODITIES CORPORATION LIMITED

1. INTRODUCTION :

1.1 The Andhra Pradesh State Essential Commodities Corporation Limited incorporated in April 1981 as a wholly-owned State Government Company, with the main objective to engage in purchase, movement, storage and distribution of food grains, food stuffs and solvent extraction of oils/foods, had undertaken.

- procurement of rice and wheat from Food Corporation of India (FCI) and its distribution under Public Distribution System (PDS),

- purchase of imported edible oils from Andhra Pradesh State Civil Supplies Corporation Limited (APSCSC) and their distribution under PDS and

- distribution of kerosene in three districts and running canteens at few places in the State.

1.2 An analysis of activities of the Company vis-a-vis activities of APSCSC revealed the following position:

- for distribution of rice under PDS, APSCSC purchased stocks from millers/traders in the State, while the Company procured (as per allotments from Central Government) from FCI and thus, both the Companies were involved in distribution of rice through Fair Price (FP) shops after procuring from different sources;

- for distribution of imported edible oils under PDS, APSCSC purchased the stocks (as per allotments from Central Government) from State Trading Corporation of India (STC) and sold to the Company at Mandal Level Stock (MLS) points, while the Company arranged distribution through FP shops and thus, APSCSC arranged transportation while the Company arranged distribution of imported edible oils and

- both APSCSC and the Company maintained concurrently branch offices in each of the districts without any staffing pattern.

1.3 In the interest of efficiency and economy, Government ordered in March 1983, the amalgamation of the Company with APSCSC and the Public Enterprises Management Board (PEMB) also reiterated in November 1987 the merger of the Company with APSCSC to minimise losses on storage and transportation, with a view to cutting down administrative overheads, etc. However as per revised orders of October 1991 of Government, the activities of the Company were transferred to APSCSC from 1st November, 1991.

(Paragraphs 2.1 and 2.2)

2. ORGANISATIONAL SET-UP :

2.1 The Management of the Company is vested in a Board of Directors consisting of a minimum of 2 and maximum of 11 Directors. Managing Director (MD) is the Chief Executive of the Company assisted by 4 General Managers (GMs) at the Head Office and 23 District Managers (DMs) in the field. All the GMs were drawn on deputation. The Chief Rationing Officer for twin cities was Ex-officio Additional MD, while the Joint Collectors in districts were Ex-officio Executive Directors, the District Supply Officers (DSOs) in the districts were Ex-officio DMs of the Company. At the Taluk level/ Mandal level, the Civil Supplies Deputy Tahsildar (CSDT)/Revenue Inspector (CSRI) monitored the distribution of stocks under PDS. Eighty per cent of officers and staff of the Company were deputationists drawn from various Departments of Government whose administrative control vested in Government and consequently, no control regarding their suitability and the place/periodicity of their posting could be exercised by the Company. The total dependence of the Company on deputationists and defects in the functioning of the Company's Head office and the district offices contributed to several administrative shortcomings in several cases for which they were directly/indirectly responsible.

(Paragraph 2.3)

3. FUNDING :

3.1 The Company's paid-up capital as at the end of June 1988 was Rs. 1.13 crores. Reserve Bank of India sanctioned in December 1981 cash credit facility to the Company to the extent of Rs. 4 crores which was enhanced in May 1983 to Rs. 30 crores for purchase of food grains from FCI. However, the facility actually availed had not exceeded Rs. 16 crores mainly due to utilisation, by diversion, of amounts collected towards surcharges on behalf of Government.

(Paragraphs 2.5.1 and 2.5.2)

4. RETENTION OF SURCHARGES COLLECTED ON BEHALF OF GOVERNMENT :

4.1 The prices fixed by State Government for sale of food-grains and edible oils included element towards State Administrative Surcharge (SAS) and Infrastructure Surcharge (ISS) respectively. The Company was required to collect SAS at Rs. 50 and Rs. 13.50 respectively per tonne of rice and wheat of ISS at Rs. 3.80 per tonne of imported edible oil. Up to March 1988, the Company collected from year to year sums aggregating Rs. 27.71 crores towards SAS and Rs. 23.02 crores towards ISS. The amounts collected from time to time towards SAS and ISS were utilised by the Company to meet its working capital requirements and thereby reduced its dependence on borrowed funds and consequential interest burden. The entire amount of Rs. 50.73 crores was recovered from the Company by Government in March 1988/March 1989. However, Government did not prepare long term action plan to utilise the amounts so collected towards SAS and ISS for creation of infrastructure facilities such as storage capacity and economic service. Thus, the levy of surcharge benefitted the Company by way of savings in interest burden and helped Government in mobilising resources but the main objective of creating infrastructure facilities for the benefit of consumers was not achieved.

(Paragraph 2.5.3)

4.2 In its explanatory notes the Company stated that administrative sanction was accorded for construction of Civil Supplies Bhavans at 8 places at a total cost of Rs. 60.80 lakhs and 40 godowns in 6 districts with a total storage capacity of 11,775 tonnes under infrastructure facilities and further sanctions were stopped in view of Government's policy to entrust the activity of construction of godowns to Andhra Pradesh State Warehousing Corporation. The Committee observed that having recovered the amounts collected by the Company towards SAS and ISS, no attention was paid by Government for their utilisation of the funds to create infrastructure facilities for which purpose the collections were made.

4.3 While giving his oral evidence, the Vice-Chairman and Managing Director (VC & MD) deposed before the Committee that Government allowed the Company to utilise the amounts of SAS and ISS towards working capital. He deposed further that the Company incurred expenditure on construction of Civil Supplies Bhavans and godowns and that he would submit the details of actual expenditure incurred by the Company.

4.4 The Committee views that construction of buildings such as Civil Supplies Bhavans did not amount to creation of infrastructure facilities in the field of either storage or transportation. The Committee feels further that the amounts were collected from the consumer-public by correspondingly increasing the price of rice etc., with specific objective of creating infrastructure facilities and, therefore, Government should have utilised the amounts for the purposes for which they were collected.

4.5 The Committee directs the Company to submit a report by June 1993, indicating the actual amount of SAS and ISS collected from the consumer-public, right from the inception of the levy amount remitted to the Government, actual expenditure incurred by the Company on construction of godowns and the manner of utilisation of the balance.

4.6 The Committee also directs the Government to utilise the amounts so collected towards SAS and ISS on creation of infrastructure facilities by formulating suitable plan of action. The Committee would like to have a detailed report in this regard from the Government by June 1993.

5. **GENERATION OF FUNDS BY WAY OF SUBSIDY :**

5.1 The stocks of rice required for distribution under PDS which were lifted from FCI were stocked at Taluk level/Mandal level godowns in first stage and transported to Fair Price Shops in second stage. The difference between cost of distribution including

the Company's commission and the sale price realised under PDS was reimbursable in the form of subsidy by Government. Upto 1988-89, the Company distributed rice to the extent of 66.58 lakh tonnes and submitted claims from time to time, without however, subjecting them to check by its Internal Audit Wing, towards subsidy to the extent of Rs. 421.82 crores, against which Government released from time to time Rs. 403.23 crores on an adhoc basis without, however, subjecting the Company's claims to scrutiny.

5.2 The Committee observed from the explanatory notes that according to orders of March 1990, the amount of subsidy should be for the difference between the cost of sales and the sale value realised and should be worked out for each year on the basis of audited accounts.

5.3 In his oral evidence, the VC & MD deposed before the Committee that the Company had been claiming subsidy on the basis of information submitted by the district offices while Government had been releasing subsidy on ad-hoc basis subject to final settlement on the basis of audited accounts. He deposed further that at the end of October 1991, about Rs. 47 crores were due from Government towards subsidy.

5.4 The Committee recommends that Government may immediately release the amount of Rs. 47 crores due to the Company towards subsidy subject to final adjustment on the basis of audited accounts.

6. CASH MANAGEMENT :

6.1 The main sources of funds of the Company comprised cash credit facility, retained balances of SAS and ISS and cash surpluses. The Company had its banking transactions with only 4 nationalised banks and each district office maintained minimum 4 bank accounts viz., (i) cash credit for transactions relating to food grains, (ii) current account for day to day non-trading income and expenditure, (iii) deposit account for crediting sale proceeds of edible oils and (iv) savings bank account for trade deposits of Fair Price Shop dealers, etc. The Company had not introduced systems (a) for preparation of cash flow statements for forecasting cash requirements of district offices periodically, (b) for transfer of surplus funds by the district offices to Head Office and (c) centralised cash management. A test check of records by Audit pertaining to 13 district offices revealed the following defects/shortcomings:

concurrent maintenance of cash credit and current account,

delay in remittance of demand drafts (DDs) and delay in realisation of proceeds thereof,

investment of surplus funds in fixed deposits while availing cash credit,

retention of DDs in sectional files,

delays in reconciliation of transactions with the banks, and

retention of surplus funds by some district offices while some other district offices were availing cash credit.

(Paragraph 2.6)

6.2 Reconciliation of cash credit account was in huge arrears in that, at the end of December 1989, out of 12 district offices in respect of which information was available, 3 district offices completed reconciliation upto 1987-88 and the arrears in respect of the remaining 9 district offices ranged upto 5 years while the information in respect of the remaining district offices was not available with the Company's Head Office.

(Paragraph 2.6.1)

6.3 The Committee observed from the explanatory notes that the cash credit was decentralised to the level of district office to enable the district offices to operate the same as and when required for arranging payment to FCI towards cost of food grains as per monthly allotments.

6.4 The Committee considers that there was failure on the part of officials at the Company's Head Office and the district offices to reconcile the transactions with the banks regularly on month to month basis.

6.5 The Committee directs that the Company shall arrange expeditious reconciliation of all bank accounts upto date by all the district offices and the Head Office and submit a report to the Committee by June 1993 indicating the progress of reconciliation and further action proposed to be taken in respect of the unreconciled items. The Committee further directs that suitable action be taken to fix responsibility on the officials for their failure to reconcile the bank accounts in time. The Committee directs the Management to fix a time limit for completing the reconciliation and strike the correct bank balance especially in the context of merger of the Company with APSCSC.

6.6 A review of utilisation of cash credit for the period from March 1986 to October 1987 revealed that some district offices (12 to 22) had not availed cash credit due to favourable cash balances (aggregate of which ranged from Rs. 8.26 crores to Rs. 27.24 crores) while some other district offices (1 to 10) had availed cash credit (aggregate of which ranged from Rs. 0.26 crore to Rs. 8.12 crores). Due to the absence of centralised cash management system, surplus funds available in cash credit account of some district offices were not transferred to other district offices which were operating cash credit and this had resulted in avoidable payment of interest charges to the extent of Rs. 1.27 crores.

[Paragraph 2.6.1(i)]

6.7 The Committee observed from the explanatory notes that the system of lifting rice and wheat from FCI as per district-wise allotment given by the Commissionerate did not permit the operation of centralised credit and therefore, the cash credit was decentralised and that a close watch was kept on the availability vis-a-vis requirements of cash in each district and necessary transfers were effected to ensure prudent cash management.

6.8 In his oral evidence, the VC and MD explained that the surpluses reflected at the end of a month in the cash credit account of certain district offices were not cash surpluses but represented proceeds of DDs collected in advance from Fair Price Shops for supplies to be made.

6.9 The Committee is not satisfied with the reply and opines that the Company failed to explain the reasons for non-transfer of surplus funds available with some of the district offices to other district offices which were availing cash credit. The Committee found this anamalous situation had taken place owing to the bad personnel deployment while the General Manager (Accounts) at Head Office looked-after the cash management the Accountant and Assistants in the district offices who were mainly drafted on deputation from various Departments did not have sufficient knowledge about the concepts and management of Public Sector Undertakings in general and had no experience in cash management in particular. This had contributed to several failures in management of cash and stocks resulting in serious financial irregularities, huge losses including avoidable payments by way of interest charges, non-reconciliation of cash and stock accounts at regular intervals viz., accounts relating to receipt and sale of stocks, sales effected and sale proceeds realised, collection and remittance of sale proceeds and the transactions with banks. Failure to maintain the stock accounts and sales realisation accounts properly and failure to exercise adequate control over the cash management resulted in several cases of misappropriation of stocks and sale proceeds by the stockists/officials in-charge of Taluk/Mandal level stock points. The Committee is of the opinion that the loss of Rs. 1.27 crores in the above case was mainly due to the failure on the part of the officers at the Company's Head Office to organise the finances to the best advantage of the Company, irrespective of the system followed for operation of cash credit. In view of the fact that in all cases of misappropriation of cash and/or stocks, departmental action was initiated to fix responsibility and to award appropriate punishments, including recoveries at the lower formations only against the officials found directly/indirectly responsible, the Committee opines that the Company should have also initiated departmental action against the officers at the Head Office whose acts of omission and/or commission resulted in loss to the Company.

6.10 The Committee recommends that Government shall issue instructions to all its undertakings that, in future, whenever it becomes necessary to operate any post(s) by drafting personnel on deputation/foreign service from Government Department(s)/other organisation(s), the undertaking concerned shall ensure that the person(s)

so drafted possessed the required qualifications and experience prescribed for the post(s). The Committee also recommends that the Company shall initiate departmental action to fix responsibility on the officers for their failure to properly organise the finances resulting in loss of Rs. 1.27 crores and submit a report by June 1993 indicating the details of action taken in this regard.

6.11 In Hyderabad district office, surplus funds available were invested in fixed deposits and aggregate of funds thus invested during the period from 1983-84 to 1986-87 ranged between Rs. 1.52 crores and Rs. 2.34 crores. Minimum balances of Rs. 0.66 crore on rice and wheat account and Rs. 0.41 crore on palmolein oil account were held in fixed deposits respectively from December 1983 to December 1984 and from May 1984 to June 1985; the surrender of these two amounts by the district office to the Head Office would have resulted in a saving of Rs. 0.11 crore representing the difference between the interest paid on cash credit by the Head Office and the interest earned on fixed deposits by the district office. [Paragraph 2.6.1(ii)]

6.12 In its explanatory notes, the Company argued that the transactions relating to Hyderabad were controlled by the Chief Rationing Officer (CRO) who was not provided with cash credit and that there was no charge of interest to the Company.

6.13 The Committee observed that the Company failed to explain the reasons for not obtaining the transfer of surplus funds available with the CRO to the Company's Head Office with a view to reducing the incidence of interest charges on cash credit. The Committee also considers that in this case too, the failure on the part of officers at the Company's Head Office to organise the finances resulted in avoidable payment of Rs. 0.11 crore towards interest charges.

6.14 The Committee directs that the Company shall initiate action to fix responsibility on officials/officers at its Head Office for their failure to manage the finances which resulted in avoidable payment of interest charges and submit a report to the Committee by June 1993 indicating the details of action taken to fix responsibility on the officers/officials concerned.

6.15 In September 1986, the Nalgonda district office withdrew from cash credit an amount of Rs. 10 lakhs and deposited the same into a newly opened current account (which was later closed in January 1987) with Indian Overseas Bank and this transaction which

was done with a view to help the bank in mobilising funds an without approval of the Company's Head Office resulted in avoida ble loss of Rs. 0.40 lakh representing differential amount betwee the interest received on deposit and the interest paid on casl credit.

[Paragraph 2.6.1 (vi)]

6.16 In its explanatory notes the Company informed that actior was initiated to fix responsibility on the officials for the loss.

6.17 The Committee would like to have a report from the Company by June 1993 indicating the details of action taken against the officials responsible.

6.18 At the instance of the Commissioner of Civil Supplies, the Company advanced Rs. 40 lakhs by operating cash credit, to Andhra Pradesh State Financial Corporation. However, terms and conditions regarding rate of interest, period for repayment etc., were not determined either before advancing or even afterwards. The Andhra Pradesh State Financial Corporation repaid the loan with interest at 8 per cent in June 1982. Audit observed that the transaction involving diversion of funds from cash credit to advance to others did not have the approval of the Board of Directors of the Company. Further, the Company suffered an additional interest burden of Rs. 0.02 crore; the rate of interest on cash credit being 12 per cent and the rate of interest paid by the Andhra Pradesh State Financial Corporation being 8 per cent.

[Paragraph 2.6.1 (vii)]

6.19 In its explanatory notes, the Company informed that the transaction was later ratified by its Board of Directors.

6.20 The Committee considers that the transaction amounted to unauthorised diversion of food credit and thus the transaction which also resulted in loss of Rs. 0.02 crore was a serious financial irregularity committed at the instance of the then Commissioner of Civil Supplies.

6.21 The Committee takes a serious view of this and recommends that Government shall ensure that such irregularity is not repeated in future.

6.22 One hundred and seventy nine DDs for Rs. 2.38 lakhs collected towards sale proceeds by the DT, Zaheerabad between October 1983 and October 1984 were forwarded to the Medak District Office in April 1985 out of which DDs for Rs. 0.37 lakh were revalidated during September-November 1985 and the delay in realisation of proceeds of remaining DDs resulted in avoidable loss of Rs. 1.52 lakhs by way of interest charges upto December 1989.

[Paragraph 2.6.1 (xii)]

6.23 In its explanatory notes the Company informed the Committee that 90 DDs for Rs. 1.52 lakhs were revalidated and the position relating to the remaining 89 DDs for Rs. 0.86 lakh was under verification with the banks.

6.24 The Committee considers that the loss by way of interest charges was due to the failure of the DT, Zaheerabad to submit the DDs to the District Office, as and when received.

6.25 The Committee directs the Company to submit a report by June 1993 for the failure to deposit the DDs and also to initiate action to fix responsibility on the official concerned for his failure to submit the DDs as and when received which had resulted in loss of Rs. 1.52 lakhs (upto December 1989). The Committee further directs the Company to take immediate action to verify the remaining DDs for Rs. 0.86 lakh and submit a report to the Committee.

6.26 Reconciliation of cash credit account of Cuddapah district office with the bank for the years from 1985-86 to 1987-88 revealed (November 1989) non-realisation of 87 DDs for Rs. 0.08 crore deposited between April 1985 and March 1988 resulting in loss to the Company by way of interest charges on cash credit.

[Paragraph 2.6.1 (xv)]

6.27 The Committee observed from the explanatory notes that the district office realised the proceeds of DDs and it was only in the case of 10 DDs for Rs. 1.10 lakhs which were deposited in December 1987 there was abnormal delay of over 4 years in crediting the proceeds (actually credited in April 1992) resulting in loss of Rs. 0.79 lakh by way of interest charges.

6.28 The Committee directs that the Company shall pursue with the bank for rectification of entries for interest charges on cash credit for the period from Janauary 1988 and submit a report to the Committee by June 1993 indicating the results of action taken in the matter.

6.29 In Cuddapah district office, four officials used to handle the cheque book in respect of its current account while none took care for its custody and in August 1988 it was noticed that four blank cheques were stolen from the cheque book, out of which one was used in April 1988 for fraudulent drawal of Rs. 0.26 lakh by forging the signature of the DSO. A report on the results of investigation was still awaited (December 1989) from Police authorities and the Company, however, introduced the system of joint signatures on cheques from October 1988.

[Paragraph 2.6.1 (xvi)]

6.30 The Committee observed from the explanatory notes that only one out of four cheques was encashed (for Rs. 0.26 lakh) and departmental action against the DSO and the AAO was pending respectively with the Revenue Department and the Accountant General's Office respectively while the departmental action against

three Assistants was pending with the Company's Head Office and a report on the results of investigation was still awaited from Police authorities.

6.31 Informing that the AAO was responsible for safe custody of the cheque book, the VC and MD admitted in his oral evidence that the Company did not ascertain the extent of bank's liability in the above case in which a forged cheque was honoured by it and the details of follow-up action initiated by the bank, if any.

6.32 The Committee feels that the Company had not properly dealt with the case particularly in pursuing with the Police authorities for a report on the results of investigation and in ascertaining the extent of liability of the bank.

6.33 The Committee regrets to record that no adequate action had been taken by the Company on a serious matter like unusual loss of cheques. The Committee directs that the Company shall effectively pursue with the Police authorities for a report on the results of their investigation and take action for recovery of the amount of Rs. 0.26 lakh from the officials and/or the bank. The Committee directs further that the Company shall submit a report by June 1993 indicating the details of departmental action taken against the officials (viz., the DSO, the AAO and the Assistants) who were held responsible for the loss of cheques.

7. DEPOSIT ACCOUNT FOR REMITTANCE OF SALE PROCEEDS OF EDIBLE OILS

7.1 The district offices were required, as per instructions of June 1982 of the Company's Head Office, to collect sale proceeds of edible oils in the form of DDs payable at Hyderabad and submit the same to the Head Office once in a month and from March 1983 once in a week. From December 1986, the district offices were required to deposit the DDs into a collection account opened for the purpose at district level and banks were required to transfer the balances in these deposit accounts to the accounts of the Company's Head Office. The reconciliation of sale proceeds remitted into deposit accounts, those transferred by the banks in the districts and those credited to the accounts of the Company's Head Office was in arrears from 1983-84; the sale proceeds for the period from 1983-84 to 1987-88 alone were to the extent of Rs. 508 crores. (Paragraph 2.6.2)

7.2 In its written statement, the Company informed the Committee that the reconciliation for the years upto 1984-85 was completed and for the subsequent period it was in progress.

7.3 The Committee observes that the officers at the Company's Head Office failed to arrange the timely reconciliation of sale proceeds of imported edible oils and this had resulted in accumulation of huge arrears.

7.4 The Committee directs that the Company shall expeditiously complete the reconciliation of sale proceeds of edible oils upto October 1991 and submit a report to the Committee by June 1993 indicating the progress made in reconciliation and the details of action initiated to fix responsibility on the officers at the Company's Head Office for their failure to arrange timely reconciliation of sale proceeds of imported edible oils.

7.5 In Chittoor District, there were delays ranging upto 13 weeks in submission of DDs for Rs. 0.64 crore (out of Rs. 0.66 crore collected between June 1983 and June 1985) resulting in loss of Rs. 0.01 crore by way of interest charges while in Khammam district, the proceeds of DDs for Rs. 0.17 crore remitted between September 1987 and March 1988 were got credited by the bank in May 1988 after it was pointed by Audit.

(Paragraph 2.6.2)

7.6 The Committee observed that the Company had not investigated into the reasons for delays in submission of DDs to the Head Office by the officials of the Chittoor district office and it had not claimed interest charges from its bank at Khammam for delay in transfer of amounts from deposit account to the account of the Company's Head Office at Hyderabad.

7.7 The Committee directs that the Company shall investigate the reasons for delay in presenting the DDs to the bank and initiate action (a) to fix responsibility on officials of the Chittoor district office for delays in submission of DDs and (b) to prefer claim on the bank at Khammam for payment of interest charges due to delay on its (bank's) part to transfer the amounts. The Company may submit a report to the Committee by June 1993 indicating the results of action taken on the above matters.

8. WORKING RESULTS :

8.1 The Company compiled its annual accounts for the years 1981-82 and 1982-83 and the compilation for subsequent years was in arrears and as per provisional accounts compiled upto 1987-88 the Company earned cumulative profit of Rs. 30 crores.

(Paragraph 2.7.2)

8.2 In his oral evidence, the VC and MD explained that in the district offices, the accounts upto 1985-86 were not properly built up and consequently there was delay in compilation of accounts. He informed further that the accounts for the year 1984-85 were already adopted and that the accounts for 1985-86 were under compilation. The VC and MD promised that action would be taken to ensure that the compilation of accounts upto 1991-92 are completed by end of 1995.

8.3 The Committee considers that the officers at the Company's Head Office failed to organise the compilation of accounts at the district offices and at the Head Office and this was mainly due to lack of accountability owing to deployment of officials drawn on deputation to the posts from the cadre of General Manager (Accounts) at the Head Office to the cadre of Assistant Accounts Officer/Accountant at the district offices.

8.4 The Committee deplores the inordinate delay in the compilation of accounts and expresses its apprehensions that any further delay in finalising the remaining accounts would add to the difficulties in their completion and therefore, directs the Company that no efforts should be spared to finalise the accounts as per the time schedule given to the Committee.

8.5 The Committee also directs that the Company shall prepare its action plan for compilation of accounts upto 1991-92 and implement the same by keeping a close watch at the level of VC and MD and submit a report to the Committee by June 1993 indicating the details of action taken on these matters and progress made.

9. HANDLING OF STOCKS BY STOCKISTS :

9.1 Upto December 1985, the Company appointed individuals, firms, co-operative societies as stockists at Taluk level for arranging distribution of commodities to Fair Price Shops and consequent upon formation of Mandals, excepting at few places where Girijan Co-operative Corporation Limited was continued as the stockist, the stock points at Mandal level were run by the Company and the same were kept under the charge of officials in the cadre of Civil Supplies Deputy Tahsildar (CSDT)/Revenue Inspector (CSRI). The stockist were responsible for receipt custody and release of stocks, proper maintenance of stock accounts and their reconciliation with accounts of district office. As per the instructions of November 1982 of the Company, physical verification of stocks was required to be conducted once in a week by CSDT and as per revised instructions of May 1985, the same was required to be conducted once in a month by CSDT and once in six months (three months as per orders of February 1986) by the Manager of the Company's district office. These instructions were, however, not implemented by the officers responsible for conducting physical verification and the Company's Head Office too did not evolve a system to review the implementation of its instructions. Recovery for shortage was required to be effected from the stockists at the issue rate upto 0.05 per cent in respect of rice and wheat and upto 0.25 per cent in respect of palmolien oil and at double the issue rate for shortages beyond these limits. Cash deposit and bank guarantee to the prescribed extent were also required to be collected from the stockists. However, in the case of

departmentally-run stock points, permissible limits for shortages/ losses were not prescribed and neither security deposit nor fidelity bonds were obtained from the officials concerned with a view to secure the interests of the Company. A test check in Audit revealed that in 11 district offices alone, non-verification of stocks and non-reconciliation of stock accounts at regular intervals besides lack of superivision/control over the functioning of the stockists/officials rendered possible misappropriation of stocks valued Rs. 2.71 crores upto 1987-88 (in 42 cases) by private parties (15 cases: Rs. 1.49 crores), by co-operative societies (12 cases: Rs. 1.03 crores) and by the officials (15 cases Rs. 0.19 crore), out of which sums aggregating Rs. 0.37 crore were recovered/pending adjustment against security deposits/ proceeds of bank guarantees leaving a balance of Rs. 2.34 crores (Rs. 1.26 crores from private parties, Rs. 0.90 crore from co-operative societies and Rs. 0.18 crore from its officials). The Company had not maintained any record indicating cases of shortages/losses in stocks and misappropriation of stocks and/or sale proceeds for purposes of watching the progress in recovery and for monitoring the action taken/to be taken for the recovery of balance amounts through the Courts/Revenue Recovery Act/Correspondence with appropriate authorities. (Paragraph 2.8.1)

9.2 The Committee observed that the Company had not furnished replies to various shortcomings/omissions broughtout in the paragraph.

9.3 The Committee considers that the omissions on the part of the officers at the Company's Head Office and the district offices, viz., non-verification of stocks and non-reconciliation of stock accounts at periodical intervals, non-collection of security deposits/fidelity bonds from the officials, non-review of implementation of instructions and functioning of the stockists/officials in-charge of godowns and non-monitoring the action taken/to be taken in all cases of misappropriation of stocks and/or sale proceeds, etc., were very serious in nature.

9.4 The Committee directs that the Company shall initiate action in all cases of shortages/losses in stocks and misappropriation of stocks and/or sale proceeds for recovery of amounts due under RR Act through the District Collectors and ensure effective follow-up in all cases which are pending with the Revenue authorities, Courts or Tribunals and other authorities for their expeditious settlement. The Committee directs further that the Company shall prepare an exhaustive list of cases of shortages/losses in stocks and misappropriation of stocks/sale proceeds upto October 1991 in each district indicating in each case the amount recoverable from the custodian together with the name of the private party, co-operative society or the official (CSDT/CSRI) in-charge of the

godown, the amount recovered, the balance recoverable, details of action taken for recovery of the balance amount, details of punishments awarded to the officials in-charge of godown point as also details of punishments awarded to the officials of the Head Office/ district office concerned for their acts of negligence, omission and/or commission which rendered possible the shortage/loss in stocks or misapropriation of stocks and/or sale proceeds. The Committee desires that the VC & MD shall submit the said list to the Committee by June 1993 together with his remarks on the action taken by the Company in each case.

9.5 The Cuddapah Consumers' Co-operative Central Stores, the stockist for Rayachoti and Lakkireddypally taluks for the period from April 1983 to September 1985 was responsible for shortages valued Rs. 0.49 crore as per initial assessment (September 1985) based on which two civil suits were filed for recovery and a criminal complaint lodged in September 1985 was still pending with the Police authorities. A departmental enquiry ordered in October 1985 by the Registrar of Co-operative societies could not be proceeded with since the entire set of records was in the custody of the Vigilance Cell of Civil Supplies Department. However, as per the Company's Head Office, the shortages in stocks finally determined by its officers were valued at Rs. 0.77 crore but no part of the amount could be recovered (December 1989) from the Society, as it had become dormant. Further, the district office collected deposit of Rs. 0.71 lakh in cash and Rs. 0.53 lakh by way of bank guarantee as against Rs. 2.21 lakhs in cash and Rs. 6.62 lakhs by way of bank guarantee required to be collected from the Society. Punishment of stoppage of one increment for three years with cumulative effect was awarded to each of the four officials for their gross negligence in conducting inspection of stocks and for their collusion with the Society, etc.

(Paragraph 2.8.1 (i)

9.6 The Committee observed from the explanatory notes that two suits were filed only in September 1991 for recovery of Rs. 18.79 lakhs from the President and two godown clerks of the Society and that these suits were decreed in March 1992 with interest at 6 per cent per annum. The Committee observed further that the explanatory notes was silent about the latest position of civil suit filed in September 1985 for recovery of Rs. 0.49 crore from the Society.

9.7 The Committee finds that the explanatory notes are silent about the failure to reconcile the value of shortages reported in the paragraph and the action taken to recover the amounts through civil suits.

9.8 The Committee directs that the Company shall submit a report to the Committee by June 1993 indicating (a) the value of shortages finally determined as recoverable, (b) the amounts already

recovered, (c) the amount due for recovery of which civil suits were filed in September 1985 and September 1991 and (d) the latest Position in respect of each of the civil suits and the criminal case.

9.9 On receipt of complaints of large scale irregularities in distribution of imported edible oils in Karimnagar district, physical verification of all stocks was conducted (for the first time since inception) in June 1982, which revealed shortages in edible oils valued Rs. 0.61 crore at 9 out of 14 stock points and that the shortages were mainly due to diversion/ misappropriation of stocks by the stockists with the connivance of the staff of Civil Supplies Department. The district office recovered Rs. 0.04 crore in cash and Rs. 0.05 crore by adjustment of secruity deposit and commission charges and the balance amount of Rs. 0.52 crore was pending recovery from three stockists. Departmental enquiry against the officials involved was in progress and the criminal complaints lodged against the stockists were pending with the Police authorities. (Paragraph 2.8.1(ii)

9.10 The Committee observed from the explanatory notes that the value of shortages worked out to Rs. 59.82 lakhs at double the issue rate and this was recoverable from the DCMS and two private parties, who were detained under MSEC Act 1980. The Committee observed also that one oil tanker belonging to one of the stockists was attached but the same was not put to auction owing to pendency of a stay order granted by the High Court and the criminal complaints lodged with the Police authorities were still under investigation.

9.11 In his oral evidence, the VC & MD admitted before the Committee that it was a case of big scandal from Visakhapatnam to Karimnagar and that the officials involved in the scandal comprised 3 DSOs and 7 DTs who were also held responsible for irregularities in implementation of credit linkage scheme in Karimnagar district which resulted in short realisation of sale proceeds aggregating Rs. 2.50 crores out of which Rs. 61.66 lakhs were still pending recovery from Fair Price shop dealers as pointed out by Audit in Paragraph 2.8.4 (i). He informed that action against the 3 DSOs was dropped by Government while 3 out of 7 DTs were dismissed from service and the remaining 4 Dts were reverted to lower posts. The Committee noted that palmolein oil had not reached Karimnagar but the tankers containing palmolein oil were diverted to other places and the authorities concerned failed not only to furnish any sort of account for the oil lifted from Visakhapatnam for distribution in Karminagar district but also to furnish any explanation therefor and that the then Joint Collector was responsible for all the irregularities in distribution of essential commodities including misappropriations. The VC & MD explained that for the distribution of essential commodities, the Company depended on the District administration and that in this case only Rs. 19.30 lakhs was pending realisation from two private parties, who were detained under the MSEC Act and from whom no amounts could be recovered as there were no properties held in their names.

9.12 The Committee considers that in the explanatory notes the Company had not indicated the details of action taken against the officers at its Head Office and the district office for their failure to monitor the transactions under PDS in general and the functioning of the stockists in particular. The Committee considers also that the allotment of stockistship to private parties who had no properties and allowing huge stocks in their custody without collecting adequate security, non-monitoring the functioning of the stockists at regular intervals were serious irregularities on the part of the officers of the Company.

9.13 The Committee directs that besides ensuring proper follow-up in the Criminal complaint lodged against the two private parties from whom a sum of Rs. 19.30 lakhs was pending realisation and in the case of oil tanker for disposal of which a stay granted by the High Court was pending, the Company shall investigate the circumstances under which the diversion of oil was made possible and initiate action to fix responsibility on the officers at the Head Office and the district office for their acts of omission and/or commission. The Committee directs the Company to submit a report indicating the failure to follow the prescribed procedure/system which rendered possible the large scale diversion of palmolein oil and misappropriation of huge amounts of sale proceeds in Karimnagar district (referred to in paragraph 2-8-49(i)). The Committee directs further that the Company shall submit a report to the Committee by June 1993 indicating the details of action taken in the matter.

9.14 Gemini Carriers, the stockist for edible oils for Visakhapatnam urban area from June 1982 to July 1985 failed to handover to the DSO, 95.3 tonnes of imported edible oils valued Rs.0.20 crore (at double cost) being the book balance on the date of termination of the stockistship in July 1985. To a notice issued in December 1985 by the district office demanding remittance of Rs.0.20 crore and subsequent reminders thereto, there was no response from the stockist as the district office was furnished a wrong address. The district office did not insist on registration certificate and partnership deed of the firm at the time of appointment of the stockist and an enquiry revealed that the firm was not registered with the Registrar of Firms. Consequently, the Company referred the case in June 1988 (after a lapse of over 3 years) to Vigilance Cell of Civil Supplies Department for investigation and in July 1989 to Government for a detailed enquiry by CBCID. Results of investigation by Vigilance Cell and also the results of reference made to Government were awaited (December 1989). Thus, the amount of Rs. 0.20 crore remained unrealised with resultant loss of Rs. 0.13 crore by way of interest charges up to December 1989. Further, the amount of security deposit collected

from the stockist was only Rs.0.35 lakh as against Rs.2.96 lakhs required to be collected, contrary to the existing instructions, collection of sale proceeds (in the form of DDs) was entrusted to the stockist without ensuring effective control over the remittance of sale proceeds and the stockist failed to submit claims towards commission charges (required to be submitted monthly) and consequently, the district office did not attempt the reconciliation of sales effected and sale proceeds remitted by the stockist. (Paragraph 2.8.1(iii))

9.15 The Committee observed from the explanatory notes that Gemini Carriers made a representation signed by one Shri Thavitha Raju in 1982 to the District Collector that it was acting as a stockist for APSCSC and on the basis of this representation the firm was appointed as stockist for the Company. The Committee observed also that Gemini Transports, the stockist for APSCSC disowned any connection with Gemini Carriers and also reported that Shri Thavitha Raju who was in its service was already dismissed. Gemini Transports filed a suit claiming payment of their bills for transportation charges withheld by APSCSC. The Committee observed further that routine verification of documents such as registration of partnership firm, registration with Sales Tax Authorities, Income Tax clearance certificate, etc., was not done and that no proper agreement was entered into and no security was obtained from the firm before appointing as stockist. The Committee observed also that 3 DSOs, 3 AMs and 7 other officials of the district office were held responsible for the irregularities in the above case and that Government appointed the Joint Collector Visakhapatnam as enquiry officer and his report recommended award of punishments to 13 officials and recovery of cost of misappropriated stock of palmolein oil (Rs. 9.82 lakhs) from 5 officials. The Committee further observed that on the basis of explanations of one of the officials (all other officials referred to in the enquiry report had approached Andhra Pradesh Administrative Tribunal - APAT), Government called for a report (December 1991) from the District Collector and according to the report of the District Collector, after adjustment of Rs. 2.59 lakhs and Rs. 0.35 lakh representing respectively the commission charges payable and security deposit refundable to the stockist, the balance amount of Rs. 6.88 lakhs was recoverable from one DM and two AMs. Orders of Government on the report of the District Collector were awaited.

9.16 The Committee considers that the report of the District Collector covered the aspect of misappropriation of stocks of palmolein oil which was determined to have occured between April 1983 and July 1986 and accordingly recommended recovery from three officials. The Committee considers further the report of the District Collector thus failed to take into account the irregularities committed by the officials on the district office (a) at the time of appointment of the firm as stockist such as non-verification of routine documents, non-collection of security deposit and bank guarantee to the required extent and (b) non-conducting physical verification of stocks, non-reconciliation of stock accounts, remittance of sale proceeds etc.

9.17 The Committee directs that the Company shall pursue the matter with Government for orders on the report of the District Collector, Visakhapatnam suggesting recovery from the three officials (including one expired) and that the Company shall pursue the cases pending with APAT to ensure that all the officials covered by the report of the Joint Collector are awarded appropriate punishments for their acts of omission and/or commission.

9.18 The physical verification of stocks of six stock points handled by private parties in Mahaboobnagar district conducted between March and September 1985 revealed shortages in stocks valued Rs. 0.15 crore out of which a sum of Rs. 0.07 crore was realised by adjustment of cash security deposit and commission charges payable to the stockists. Though action was initiated in January/February 1988 for recovery of value of shortages under RR Act, 4 of the 6 stockists contested the recovery proceedings in the courts. As a result of initiation of recovery proceedings, an amount of Rs. 0.14 lakh only was realised by the district office. The security obtained from 5 of the 6 stockists was to the extent of Rs. 2.71 lakhs as cash deposits and Rs. 1.39 lakhs by way of bank guarantees as against Rs. 5.72 lakhs and Rs. 8.50 lakhs respectively required to be collected. Two bank guarantees for Rs. 0.34 lakh and Rs. 0.75 lakh respectively collected from two stockists expired by September/October, 1984 due to non-initiation of action for their renewal, as a result of which the bank guarantees could not be encashed for adjustment against the amounts recoverable from the stockists. [Paragraph 2.8.1 (iv)]

9.19 The Committee observed that the case of Shri B. Pullaiah, the stockist at Jadcherla was pending with the Arbitrator while the cases of Shri B. Laxminarayana, Shri M. Kistaiah and Shri B. Ramakoti, the stockists at Alampur, Maktal and Achampet respectively in which civil suits filed by the stockists were pending with the courts; the Company's Head Office directed the district office to initiate action for recovery of amounts due from the stockists under RR Act, as the Courts did not grant any stay orders. The Committee observed further that in the case of Shri V. Eashwaraiah, the stockist at Wanaparthy, an insignificant amount of Rs. 333 was realised on auctioning the movable properties (no immovable properties were held in the name of the stockist) and a criminal case filed by the district office was pending with the Court while in the case of Sri B. Kamalakar Reddy, the stockist at Atmakur, action for alienation of land belonging to the stockist was in progress. The Committee in this connection, observed that Sri B. Kamalakar Reddy, Shri V. Eashwaraiah, Shri M. Kistaiah and Shri B. Laxminarayana, the stockists at Atmakur, Wanaparthy, Maktal and Alampur were functioning simultaneously as stockists for APSCSC and these stockists misappropriated the stocks and sale proceeds of APSCSC also.

9.20 The Committee finds that there were failures on the part of the officials of the district office, such as non-collection of adequate security in the form of cash deposits and bank guarantees, allowing huge stocks in the custody of the stockists, non-verification of stocks and accounts of the stockists at regular intervals and non-reconciliation of sales effected and sale proceeds remitted by the stockists.

9.21 The Committee directs that besides effectively pursuing the cases of all the stockists for recovery of the amounts due, the Company shall submit a report to the Committee by June 1993 indicating (a) in respect of each case, the amount determined as recoverable, the amount already recovered and the details of action taken for recovery of balance amount together with the latest developments and (b) details of action taken to fix responsibility on the officials of the district office for their various acts of omissions and/or commission in the above cases.

9.22 The inspection of godowns at Narsipatnam and Chintapally, both under the charge of one stockist, conducted in May 1983 revealed shortage in stocks valued Rs. 0.12 crore and after realisation of Rs. 0.04 crore representing commission charges and transport charges payable to the stockist, an amount of Rs. 0.08 crore was pending recovery (December 1989). The Company approached the Government in June 1984, i.e., after a lapse of one year, for permission to recover the amount due from the stockist under RR Act while permission was granted by Government only in September 1986, i.e., after a lapse of over 2 more years, for an amount of Rs. 0.06 crore, instead of Rs. 0.08 crore due to an error. In the meanwhile, the stockist obtained in July 1987 directions from the Court against proposed sale of his properties which were attached under RR Act: final orders in the case were awaited from the Court.

[Paragraph 2.8.1 (v)]

9.23 The Committee observed that the case filed by the stockist was dismissed in November 1984 and a fresh suit filed by him was still pending with the Court. The Committee observed further that in this case too the officials of the district office failed to conduct verification of stocks and reconciliation of stock accounts and sale proceeds at regular intervals. The Committee observed also that the delay on the part of the Company in approaching Government and the delay on the part of Government in according permission which were avoidable indicate that neither Government nor the Company acted promptly for effecting recovery of the amount due from the stockist.

9.24 The Committee directs that besides pursuing the case for recovery of the amount due from the stockist, the Company shall submit a report to the Committee by June 1993 indicating the details of action taken against the officials of the district office for their various acts of omission and/or commission which rendered possible for the misappropriation of stocks valued Rs. 0.12 crore by the stockist.

9.25 The physical verification of stocks held by Venkateswara Primary Co-operative Society Limited, the stockist for edible oils at Nirmal conducted at the time of takeover of stock point in April 1987 revealed shortage of palmolein oil valued Rs. 0.05 crore and the reconciliation of stock accounts since commencement of stockstship in June, 1982 revealed in July, 1987 the value of total shortage of palmolein oil at Rs. 0.09 crore out of which a sum of Rs 0.01 crore was realised. The balance amount of Rs.0.08 crore could not be recovered owing to pendency of a stay order granted by the Court which was yet to be vacated (December 1989). The shortage was attributed to issue of stocks without release orders and without collecting sale proceeds and also due to recording fictitious issues.

[Paragraph 2.8.1 (vi)]

9.26 The Committee observed from the explanatory notes that the suit filed by the then Secretary of the Society was dismissed by the Court. The Committee also observed that the properties of the Secretary of the Society and his brother which were attached under RR Act were put to auction at which the offers received were considered not attractive/reasonable and hence the same were awaiting disposal through fresh auction.

9.27 The Committee finds that in this case too there were failures on the part of the officials of the district office, such as not conducting physical verification of stocks and non-reconciliation of stock accounts and sale proceeds at regular intervals.

9.28 The Committee directs that besides pursuing the case for realisation of the amount through auction of properties of the stockist which were attached under RR Act, the Company shall submit a report to the Committee by June 1993 indicating the details of action taken to fix responsibility on the officials of the district office for the lapses on their part which rendered possible misappropriation of stocks by the Society.

9.29 The inspection of stocks held by the stockist at Banaganapalli in October 1986 revealed shortage of 16.4 tonnes of palmolein oil valued Rs. 1.90 lakhs (following which his stockistship was terminated) and the reconciliation of his accounts in January 1987 revealed that the stockist failed to remit sale proceeds aggregating Rs. 4.53 lakhs. A further reconciliation of transactions by the district office revealed in April 1989 that the stockist failed to remit sale proceeds for Rs. 12.23 lakhs besides misappropriation of palmolein oil valued Rs. 12.21 lakhs (at cost). After realisation of Rs. 3.00 lakhs by adjustment of security deposit, commission charges and sale proceeds realised on auction of stockist's properties attached under RR Act, the balance amount recoverable worked out to Rs. 21.47 lakhs. Aggrieved over the reassessment of the amount recoverable, the stockist approached the High Court (August 1989) and the case was pending with the High Court.

[Paragraph 2.8.1 (viii)]

9.30 The Committee observed from the explanatory notes that Sri V.P. Ramanujulu was the stockist at Banaganapalli and when the properties were attached under RR Act, the wife of the stockist contended that the properties were held in her name and obtained stay orders in July 1992 from the Sub-Court at Nandyal.

9.31 The Committee is of the view that in the instant case the misappropriation of stocks and sale proceeds for a total value of Rs. 24.47 lakhs would not have been rendered possible without the connivance of the officials of the district office and this was evident from several failures on their part, such as non-verification of stocks and non-reconciliation of transactions of the stockist for a continuous period of over 4 years.

9.32 The Committee directs that besides taking action to get the stay (which was granted in the case filed by the wife of the stockist) vacated and for realisation of amounts due by auction of the properties held in the name of the wife of the stockist, the Company shall submit a report to the Committee by June 1993 on the details of action taken to fix responsibility on the officials of the district office for their acts of omission and/or commission which rendered possible the misappropriation in the case.

9.33 The reconciliation of sales effected and the sale proceeds remitted by the stockist at Tirupathi was not attempted by the district office during the entire period of his stockistship viz., from October 1981 to December 1985 but the commission charges amounting to Rs. 0.07 crore were released to the stockist. The reconciliation attempted by the district office in October 1987 revealed misappropriation of stocks valued Rs. 0.11 crore, against which a sum of Rs. 0.03 crore was held by way of security deposit. The district office was yet to initiate action for recovery of the balance amount of Rs. 0.08 crore. The value of misappropriated stocks should have been recovered by a further sum of Rs. 0.07 crore had the district office withheld the payment of commission charges till the accounts of the stockist were reconciled.

[Paragraph 2.8.1 (ix)]

9.34 The Committee observed that Sri K.N.V.R. Gupta, the stockist approached the High Court seeking instructions to the Company to release his security deposit and that the High Court directed the Company to settle the accounts of the stockist and accordingly, the Company asked the stokist to produce his accounts for verification and finalisation by the end of June 1990 but there was no response from the stockist. The Committee also observed that the Company was initiating action to recover the amount under RR Act.

9.35 The Committee considers that in this case also there were several failures on the part of the officials of the district office such as non-verification of stocks and non-reconciliation of sales effected and sale proceeds remitted for the entire period of the stockistship and payment of commission charges without reconciling the accounts of the stockist.

9.36 The Committee directs that besides taking action for recovery of the amount, under RR Act, from the stockist, the Company shall submit a report to the Committee by June 1993 indicating the details of action taken to fix responsibility on the officials of the district office for their acts of omission and/or commission which rendered possible the misappropriation of stocks valued Rs. 0.11 crore.

9.37 The stockist at Satyavedu failed to handover the stocks as per book balances at the time of takeover of stock point in December 1985. Consequently, the district office got the godown opened in December 1985 and noticed shortages in stocks valued Rs. 18.10 lakhs (at double cost). After realisation of Rs. 3.93 lakhs by adjustment of security deposit and commission charges payable to the stockist, a balance of Rs. 14.57 lakhs was pending recovery from the stockist. A complaint lodged with the Police authorities in January 1986 was still under investigation and no other action was initiated by the Company for recovery of balance amount of Rs. 14.17 lakhs.

[Paragraph 2.8.1 (x)]

9.38 The Committee observed from the explanatory notes that Sri D. Sudhakar Reddy the stockist filed a suit in the Hig Court in April 1991 seeking directions to the Company to release his security deposit and that in April 1991 the High court directed the stockist to approach the Company and the stockist had, however, not approached the Company. The Committee also observed that action had been initiated by the Company for recovery of amount due from the stokist under RR Act.

9.39 The Committee observed that there was delay of about 5 years in initiating action for recovery of the amount from the stockist under RR Act and the abnormal delay was attributable to the inaction on the part of the officials of the district office.

9.40 The Committee, therefore, directs that besides taking follow-up action for recovery of the amount due from the stockist, the Company shall submit a report to the Committee by June 1993 indicating details of action taken to fix responsibility on the officials responsible for abnormal delay in initiating action under RR Act, for recovery of the amount from the stockist.

9.41 The physical verification of stocks held by Primary Agricultural Co-operative Society, the stockist at Chennakesampalli, conducted in September 1984 revealed a shortage in stocks of palmolein oil valued Rs. 2 lakhs; the district office lodged in October 1984 a complaint with the Police authorities and it also filed in March 1986 a civil suit for recovery of the amount due

from the Society. Action initiated for recovery of the amount under RR Act was stayed in December 1988 by an order of the High Court and the case was still pending with the High Court.

[Paragraph 2.8.1 (xi)]

9.42 The Committee observed from the explanatory notes that the civil suit filed by the district office was still pending with the Sub-Court, Rajampet. The Committee observed further that the explanatory notes was silent about the developments in the case filed by the Society in the High Court.

9.43 The Committee directs that besides pursuing the case for recovery of the amount due from the stockist, the Company shall submit a report to the Committee by June 1993 indicating the latest developments in the case filed by the stockist in the High Court.

10. HANDLING OF STOCKS IN THE COMPANY'S GODOWNS :

10.1 The instructions of the Company's Head Office provided for conducting physical verification of stocks held in departmental godowns once in three months by the concerned District Supply Officer and Ex-officio Manager of the district office but in practice, stocks were not subjected the physical verification at regular intervals atleast once in an year. Further, handling losses and physical verification shortages were adjusted in stock registers as a routine matter without obtaining approval of competent authority. No norms were prescribed for handling losses and yet in 4 out of 13 district offices, whose stock accounts were test checked in Audit, handling losses and losses on account of physical verification aggregating Rs. 17.63 lakhs relating to the period upto 1986-87 were written off in the accounts of the district offices by deducting from closing stocks and the amount comprised Rs. 12.58 lakhs, Rs. 2.83 lakhs, Rs. 1.18 lakhs and Rs. 1.04 lakhs pertaining respectively to the district offices of Visakhapatnam, Hyderabad, Medak and Nalgonda. The losses in the district offices at Hyderabad and Nalgonda which were detected on physical verification were stated to be due to improper storage, lack of facilities for weighment, etc.

[Paragraph 2.8.2 (a)]

10.2 The Committee observed from the explanatory notes that no shortage were permissable towards handling losses and the shortages already adjusted by deduction from stocks were recoverable from the custodians. The Committee observed further that the shortages of stocks of the Hyderabad district office were since reported by the Management to the Board and the orders of the Board thereon were awaited while the shortages reported on physical verification of stocks of the Nalgonda district office were found inaccurate by the Management and hence, the stock accounts were being reconciled to fix responsibility on the custodians of stocks. The Committee

observed also that in respect of shortages of the Visakhapatnam district office, the Management was satisfied (after further examination) about the reported shortage in palmolein oil valued Rs. 0.52 lakh and therefore, action was initiated to fix responsibility for shortage in stocks of rice (Rs. 12.06 lakhs) while in respect of shortages of the Medak district office action was initiated to fix responsibility on the custodians of stocks.

10.3 The Committee views that there was failure on the part of the Company's Head Office to work out the storage losses, shortages in stocks and handling losses for each year in respect of each of the 23 districts and to fix responsibility for such losses/shortages on the custodians concerned. The Committee considers that in respect of shortages pertaining to 4 district offices responsibility had not been fixed even after 5 years which position would indicate that the officers of the Company failed to act prudently keeping in view the interests of the Company.

10.4 The Committee directs that the Company shall arrange for reconciliation of stock accounts upto October 1991 in respect of each commodity in all the district offices and submit a report to the Committee by June 1993 indicating (a) the extent of storage losses, shortages in stocks and handling losses, (b) the value of shortages and losses in stocks, determined as recoverable from the custodians of stocks, (c) custodian-wise break-up for the value of stocks thus determined as recoverable, amounts recovered and particulars of action taken for recovery of the balance amount and (d) details of action initiated to fix responsibility, on the officials (including deputationists) for their acts of omission and/or commission for such losses/shortages in stocks.

10.5 The physical verification of stocks at MLS point at Sabbavaram, which was being run departmentally since June 1985, conducted for the first time in November 1987 revealed shortages valued Rs. 2.25 lakhs. The then official incharge of the godown was placed under suspension pending enquiry by the RDO whose report was awaited (December 1989) and the MRO who was requested in March 1988 to initiate action for recovery of the value of shortages under RR Act reported that there was no property held in the name of the delinquent officer. [Paragraph 2.8.2(b)]

10.6 The Committee observed from the explanatory notes that the Company could not initiate recovery from the official owing to pendency of a stay granted by APAT and that action was being initiated to get the stay vacated.

10.7 The Committee considered that the Company had not dealt with the case properly in that while the stay was granted by APAT in the year 1988, action was being initiated only in 1992 to get the stay vacated and there was no follow-up for obtaining the enquiry report from the RDO.

10.8 The Committee directs that besides pursuing the case for recovery of value of shortages from Sri P. Ananda Rao, RI, more vigorously, the Company shall initiate enquiry and fix responsibility on the officials for not pursuing the case to get the stay of APAT vacated and to obtain enquiry report from the RDO.

10.9 A verification of records pertaining to a godown at Parkal revealed shortages in stocks valued Rs.0.06 crore; departmental enquiry against one of the two officials in the cadre of DT which completed by April, 1989 held him responsible for a part of the shortages but action was not initiated to recover the value of shortages while departmental enquiry against the other DT which was taken up in May, 1989 was in progress (December 1989).
[Paragraph 2.8.2(d)]

10.10 The Committee observed from the explanatory notes that Sri J. Venkatadri who worked as DT was dismissed from service on the basis of enquiry report but he had gone in for appeal to APAT and the case was referred to the District Collector, Warangal for recovery of the amount due from him. The Committee observed further that the amount determined as recoverable from him was not indicated in the explanatory notes. The Committee also observed that Smt. M. Sandhya Rani who was working as DT was also held responsible for shortages in stocks valued Rs. 1.46 lakhs besides short remittance of sale proceeds amounting to Rs. 0.12 lakh. The enquiry officer recommended (June 1989) the recovery of the amount and also punishment of stoppage of two increments without cumulative effect but on the plea that all the irregularities were not covered in the enquiry conducted by the Sub-collector, the CCS ordered in June, 1991 a fresh departmental enquiry by the Joint Collector, Warangal from whom a report was awaited.

10.11 The Committee considers that in the case of misappropriation of stocks and sale proceeds by Smt. M. Sandhya Rani, DT although the Sub-Collector, Mulugu submitted his enquiry report as early as in June, 1989 recommending the recovery of an amount of Rs.1.58 lakhs, it was only in June, 1991, i.e., after a lapse of 2 years, the CCS ordered a fresh departmental enquiry by the Joint Collector on the plea that all the irregularities were not covered in the enquiry already completed. In the meanwhile, no part of the amount already determined as recoverable was recovered from the

official. The Committee, therefore, considers that in this case, the official was extended undue favour by the CCS.

10.12 The Committee therefore, directs that notwithstanding the outcome of a fresh departmental enquiry into the irregularities committed by Smt.M. Sandhya Rani, for the misappropriation of stocks and sale proceeds already established in the enquiry by the Sub-Collector, the Company shall initiate appropriate departmental action for recovery of the amount of Rs. 1.58 lakhs and also award appropriate punishment as in the case of Sri. J.Venkatadri, the other DT involved in the above case of misappropriation. The Committee also directs that the CCS shall submit a report to the Committee by June, 1993 indicating the amount determined as recoverable from Sri J. Venkatadri, DT and the present status of his case pending with APAT as also the details of departmental action taken against Smt. M. Sandhya Rani, DT.

10.13 The physical verification of stocks in godown at Kondapuram revealed (April, 1988) shortages in stocks valued Rs.1.18 lakhs; the departmental enquiry initiated in June, 1988 to fix up responsibility was yet to be completed. [Paragraph 2.8.2(e)]

10.14 The Committee observed from the explanatory notes that Sri A.Jayaram and Sri P. Ramachandraiah, RIs who were held responsible for the shortages were suspended by the District Collector but they were reinstated to duty as per the directions of APAT. The Committee also observed that the enquiry report of the Joint Collector recommended recovery of Rs.0.32 lakh from Sri A. Jayaram and Rs. 0.86 lakh from Sri P. Ramachandraiah besides punishment of stoppage of 3 increments with cumulative effect and that no action could be initiated against the officials owing to pendency of a stay granted by APAT.

10.15 The Committee directs that the Company shall initiate action for vacation of stay granted by APAT and for recovery of amounts determined as recoverable from the officials.

10.16 Reconciliation of stock accounts pertaining to a godown at Rambilli revealed (February, 1989) short accountal of 30.8 tonnes of rice lifted from FCI godown during 1987-88; the official incharge of the godown remitted (February, 1989) Rs. 0.59 lakh reckoning the cost of rice at subsidised rate. As the rice was not utilised for subsidy scheme, realisation of cost of rice at subsidised rate resulted in short recovery of Rs.1.10 lakhs. [Paragraph 2.8.2(g)]

10.17 The Committee observed from the explanatory notes that the District Collector, Visakhapatnam was addressed for effecting recovery of Rs.1.10 lakhs from the then official in-charge of the godown.

10.18 The Committee directs that the Company shall pursue the matter with the District Collector for expeditious recovery of the amount of Rs.1.10 lakhs and also for awarding appropriate punishment to the then godown in-charge for the irregularity committed by him.

10.19 A review of records of the East Godavari district office revealed that during the year 1982-83 and 1983-84 on account of mix up of transactions covering stocks and sale proceeds while some officials who were in-charge of the Company's godowns indulged in unauthorised credit sales, misappropriation of stocks and sale proceeds and these irregularities could not be detected in time due to non-reconciliation of stocks and sale proceeds. A sum of Rs. 0.73 crore representing the value of sale proceeds relating to 1982-83 and 1983-84 was reported by APSCSC/as not received from the officials who were in-charge of the godowns; subsequent reconciliation revealed that sale proceeds aggregating Rs. 0.21 crore were erroneously credited to the account of the district office. Out of the balance amount of Rs.0.52 crore, sale proceeds aggregating Rs.0.25 crore were accounted for by/recovered from the officials who were incharge of godowns, leaving a balance of Rs.0.27 crore recoverable from 12 officials.[Paragraph 2.8.3(i)

10.20 The Committee observed from the explanatory notes that sale proceeds aggregating Rs.29.52 lakhs were pending recovery from 11 officials in the cadre of DT. The Committee observed further that Sri Ch. Kumara Swamy, DT from whom a sum of Rs.6.78 lakhs was pending recovery had already retired from Government service and Government, when approached by the Company intimated that no action could be initiated against the retired official since no charge memo was served on him within 4 years from the date of his retirement and that the Company had, therefore, initiated criminal proceedings against the retired official. The Committee also observed that Sri M. John Wind, DT from whom a sum of Rs. 3.31 lakhs was pending recovery was already dismissed from Government service and a stay granted by Government in the matter of recovery of the amount ordered by the District Collector was got vacated and that action was being initiated to recover the amount due from him through RR Act. The Committee further observed that the accounts pertaining to godowns handled by Sri V. Appa Rao, DT and Sri K. Kameswara Rao, DT from whom a sum of Rs.9.35 lakhs was pending recovery and also the accounts pertaining to a godown handled by Sri J. Jagannadham, DT from whom an amount of Rs.2.22 lakhs was pending recovery were still under reconciliation.

10.21 The Committee considers that the officials of the East Godavari District Office failed not only to act upon the complaints of APSCSC but also failed to reconcile the accounts relating to the stocks and sale proceeds and to initiate followup action for recovery of the amounts determined as recoverable while the officials at the Company's Head Office too failed to arrange the

reconciliation of stocks and sale proceeds regularly and these lapses rendered possible the misappropriations in the above cases. The Committee considers further that despite delay in detection of misappropriation of stocks and sale proceeds by the DTs in the above case, the then officials of the Company both at the Head Office and the District Office failed also to act promptly for initiating recovery proceedings against the concerned officials as a result of which no part of the amount of Rs. 29.52 lakhs could be recovered from the officials concerned.

10.22 The Committee, while expressing its unhappiness about the manner in which the above case was dealt with by the Company's officials, directs that besides initiating action for expeditious recovery of amounts from the officials concerned through legal action/RR Act/correspondence with appropriate authorities, CCS shall arrange for detailed investigation into the above case to fix responsibility on the Company's officials at the Head office and at the district office for their acts of omission and/or commission and submit a report to the Committee by June, 1993 indicating the details of action taken by him.

10.23 According to a report of January, 1987 of APSCSC, Sri Mohd. Misbahbuddin, DT, at Gajwel (Medak District) failed to deposit 25 demand drafts for Rs.0.68 lakh representing sale proceeds of sugar and cement of APSCSC collected between February and June, 1984. In reply to a charge memo of August, 1988, the official disowned responsibility in October, 1988 and his reply was forwarded to APSCSC without verification of facts. (Paragraph 2.8.39(ii))

10.24 The Committee observed from the explanatory notes that the MRO at Gajwel was requested to recover the amount of Rs.0.68 lakh from the DT.

10.25 The Committee directs that the Company shall submit a report to the Committee by June, 1993 indicating the particulars of recovery of Rs.0.68 lakh and the details of action taken against the DT for his failure to remit the sale proceeds to APSCSC.

10.26 A test check of records of six district offices revealed delays in submission of claims on APSCSC towards commission charges and also in realisation of amounts involved in claims already preferred on APSCSC and that the delays were mainly due to non-availability of information in the district offices relating the quantities of APSCSC's stocks sold and the value of proceeds thereof. [Paragraph 2.8.3(iii)]

10.27 The Committee observed from the explanatory notes that out of six district offices referred to in the paragraph, two district offices, viz. Cuddapah and Mahaboobnagar had submitted claims upto 1987-88, one district office, viz. East Godavari up to 1988-89, while two other district offices, viz. Visakhapatnam and Warangal had submitted up to 1989-90.

10.28 The Committee is of the view that the accumulation of arrears in submitting claims to APSCSC towards commission charges was mainly due to lack of information and monitoring systems in the Company. The Committee, therefore, directs that the Company shall submit a report to the Committee by June, 1993 indicating district-wise details as to the period up to which the claims were submitted, the period up to which the claims were settled by APSCSC, the reasons for delay in submission of claims for the period, if any, for which claims were not submitted to APSCSC and the details of action taken by the Company for realisation of amounts pending payment by APSCSC.

10.29 In Nalgonda district, in respect of stocks of APSCSC handled by the Company's district office, MROs who were not employees of the Company, claimed and received commission aggregating Rs. 5.62 lakhs for the period from July, 1985 to June, 1986 and this amount was yet to be recovered from the then MROs. [Paragraph 2.8.3(iv)]

10.30 The Committee observed from the explanatory notes that the MROs operated separate bank accounts for the commission received and utilised the same to meet expenditure towards salaries of godown keepers, hamali and transport and the Company was yet to finalise their accounts to ascertain unspent balances recoverable from them.

10.31 The Commission directs that the Company shall arrange for immediate reconciliation of the accounts relating to receipt and utilisation of commission by the MROs and submit a report to the Committee by June, 1993 indicating the details of action taken for recovery of amounts determined as unspent balance from the MROs.

10.32 The Karimnagar district office introduced a credit linkage scheme in November, 1983 under which Fair Price (FP) shop dealers were supplied essential commodities as per allotments (by the District Supply Officer) on the credit basis and the bank which sponsored the FAIR PRICE shop dealer was to remit the cost of commodities within 7 days while the FAIR PRICE shop dealer was to remit sale proceeds into the bank for adjustment against the loan sanctioned to him. The scheme was not properly monitored by the district office and certain basic records, like sales register, purchase register, cash book, etc. were either not maintained or maintained imporperly and as a result of these, stocks were issued to FAIR PRICE shop dealers without ensuring the collection of sale proceeds for previous supplies. In view of faulty implementation and also in view of accumulation of arrears from FAIR PRICE shop dealers, the scheme was withdrawn in November 1986 by which time a

sum of Rs.2.62 crores was due from FAIR PRICE shop dealers. After realisation of Rs. 2.00 crores during the period between November, 1986 and February 1989, a sum of Rs. 0.62 crore was pending recovery from the Fair Price shop dealers. [Paragraph 2.8.4(i)]

10.33 The Committee observed from the paragraph that as per observations of May, 1987 of the Managing Director of the Company, the Joint Collector and the District Supply Officer completely neglected to review at least once in a month, the purchase and sale of commodities which had resulted in accumulation of huge arrears in the above case. The Committee observed further that 7 FAIR PRICE shop dealers from whom the balance amount of Rs.61.67 lakhs was proposed for recovery filed writ petitions and the same were pending with the High Court. The Committee also observed that action was initiated against 3 DSOs and 7 DTs; action against 3 DSOs was dropped by Government while 4 DTs were reverted to lower posts and the remaining 3 DTs were dismissed from service. The Committee also observed that the Company had not assessed the extent of loss sustained by way of interest charges due to delay in realisation of sale proceeds under the above scheme.

10.34 The Committee, therefore, directs that the Company shall work out the loss sustained by it due to improper monitoring of the scheme and submit a report to the Committee by June, 1993 indicating (a) the extent of loss sustained by it by way of interest charges and the manner in which the same was proposed for recovery and (b) the progress in realisation of amounts due from Fair Price shop dealers.

10.35 The reconciliation of accounts of District Co-operative Marketing Society (DCMS), the TLS at Vikarabad revealed (July 1986) that the TLS failed to remit Rs. 0.20 crore out of sale proceeds pertaining to the period from July, 1983 to December, 1985. The district office, however, recovered (July-August 1986) the entire amount from the DCMS and the delay in realisation of sale proceeds resulted in loss to the Company to the extent of Rs.0.06 crore by way of interest charges. [Paragraph 2.8.4(ii)]

10.36 The Committee observed from the explanatory notes that as per enquiry report of the DSO of Ranga Reddy District, 7 officials were responsible for issue of stocks valued Rs. 33.36 lakhs without collecting the sale proceeds and of this, sale proceeds aggregating Rs.25.07 lakhs were collected by the district office between August and November, 1986 leaving a balance of Rs.8.29 lakhs. The Committee observed further that the Company assessed the amount of loss by way of interest charges at Rs.4.80 lakhs and it proposed to recover the balance amount of sale proceeds (Rs.8.29 lakhs) along with interest (Rs.4.80 lakhs) from 7 officials involved in the case; consequently, the case was entrusted to CBCID of Government and charge sheets were filed against those 7 officials.

10.37 The Committee directs that the Company shall make all out efforts for expeditious finalisation of legal proceedings against the officials involved in the above case and realise the amounts recoverable from them.

10.38 The reconciliation of accounts of Large Sized Co-operative Society (LSCS), the TLS at Chimakurthy revealed non-receipt of sale proceeds aggregating Rs.0.09 crore due to effecting credit sales and non-remittance of sale proceeds already collected by the TLS and the DTs, while the physical verification of stocks revealed shortages valued Rs.0.02 crore. Consequently, the district office terminated the stockistship in April, 1985 and realised up to December, 1989 a sum of Rs.0.08 crore (out of Rs.0.11 crore). A criminal complaint filed in June, 1982 against the LSCS for supplying stocks valued Rs.0.33 lakh on credit to Fair Price shop dealers was still pending with the Police authorities. [Paragraph 2.8.4 (iii)]

10.39 The Committee observed from the explanatory notes that the entire amount of Rs.11.58 lakhs was since realised from the LSCS. The Committee observed further that two DTs and one RI were responsible for supply of commodities on credit to FAIR PRICE shop dealers to the extent of Rs.3.66 lakhs out of which Rs. 0.52 lakh were realised under RR Act, Rs. 1.71 lakhs were recoverable from the commission charges payable to the TLS and Rs.0.77 lakh were recoverable from the officials as per court orders while for recovery of balance amount of Rs.0.66 lakh the Joint Collector, Ongole was pursuing the matter with the MRO concerned.

10.40 The Committee directs that the Company shall make every effort for expeditious recovery of Rs.0.77 lakh from the officials (as per Court orders) and Rs.0.66 lakh from the Society.

10.41 The reconciliation of accounts relating to 6 DTs in East Godavari district revealed (December, 1987) non-remittance of sale proceeds aggregating Rs. 3.33 lakhs out of which Rs. 1.13 lakhs were recovered and the balance (Rs.2.20 lakhs) included Rs. 1.99 lakhs wrongly credited to the account of APSCSC. [Paragraph 2.8.4(iv)]

10.42 The Committee observed from the explanatory notes that the Company was yet to realise Rs. 1.99 lakh from APSCSC and Rs.0.21 lakh from Sri M. Subba Rao, DT.

10.43 The Committee directs that the Company shall take action for expeditious realisation of the amounts due from APSCSC and the DT.

10.44 The physical verification of stocks in departmental godown at Bellampally revealed (February/June 1987) shortages in stocks of rice and palmolein oil valued Rs.0.04 crore out of which Rs.0.01 crore were recovered by December 1989. [Paragraph2.8.4(vi)]

10.45 The Committee observed from the explanatory notes that an amount of Rs. 0.18 lakh was pending recovery from Sri M.A. Jaleel, RI while the balance amount of Rs. 0.20 lakh which remained unrecovered from Sri Iqbal Hussain Khan, DT (owing to his expiry while in service) was proposed for recovery from the amounts payable to his family.

10.46 The Committee directs that the Company shall take action for expeditious realisation of the amounts due in the above case.

10.47 During the year 1983-84, commodities were issued on credit to Fair Price Shop dealers in Mahboobnagar town and out of Rs. 0.10 crore realisable from the FAIR PRICE Shop dealers, a sum of Rs. 0.09 crore was recovered upto December, 1989.

[Paragraph 2.8.4 (viii)]

10.48 The Committee observed from the explanatory notes that a further sum of Rs. 0.32 lakh was realised and the balance amount of Rs. 0.73 lakh could not be realised owing to pendency of a stay order granted by High Court to two FAIR PRICE Shop dealers from whom the amount was recoverable.

10.49 The Committee directs that the Company, besides pursuing the legal cases for Rs. 0.73 lakh, shall submit a note to the Committee by June 1993 indicating the details of action taken against the officials of the District office and the DTs for extending unauthorised credit to FAIR PRICE Shop dealers.

10.50 Reconciliation of accounts pertaining to Sri P. Appala Raju, the TLS at Visakhapatnam and Bheemunipatnam for the period from January 1982 to June 1985/July 1986 revealed in August 1989 short remittance of sale proceeds aggregating Rs. 0.08 crore while the district office held Rs. 0.04 crore by way of security deposit and bills for commission charges. Further, as against cash security deposit and bank guarantee obtainable respectively for Rs. 0.03 Crore and Rs. 0.09 crore, the district office collected security deposit for Rs. 0.02 crore and a bank guarantee for Rs. 0.01 crore which had expired by March 1985.

[Paragraph 2.8.4 (ix)]

10.51 The Committee observed that the net amount of Rs. 4.58 lakhs pending realisation from Sri P. Appala Raju, TLS, was secured by security deposit, bills for commission charges and rent for godown and that the Company had not investigated into the circumstances under which the security deposit and the bank guarantee were not collected to the required extent.

10.52 The Committee, therefore, directs that the Company shall submit a report to the Committee by June 1993 indicating the details of recovery of Rs. 0.04 crore from Sri P. Appala Raju by adjustment from the amount payable and also the details of action taken to fix responsibility on the officials for their failure to collect security deposit and bank guarantee to the required extent.

10.53 The reconciliation of accounts relating to Girijan Co-operative Corporation Limited (GCC), the stockist for Visakhapatnam district revealed (February 1987) short remittance of sale proceeds amounting to Rs. 0.12 crore pertaining to the period between March and May 1984; of this, a sum of Rs. 0.11 crore was recovered (November 1987) by adjustment from transport charges payable to the stockist. The balance amount of Rs. 0.01 crore together with Rs. 0.07 crore towards interest charges for the period of delay in remittance of sale proceeds were pending realisation from GCC.

[Paragraph 2.8.4 (x)]

10.54 The Committee observed from the explanatory notes that a sum of Rs. 0.08 crore was withheld from the commission charges paid to GCC and the same would be adjusted against the amount realisable from GCC after finalisation of accounts.

10.55 The Committee directs that the Company shall submit a report to the Committee by June 1993 on the action taken for recovery of the amount of Rs. 0.08 crore by adjustment from the commission charges payable to GCC.

10.56 The reconciliation of accounts of a departmental godown at Gajwel revealed (April-June 1987) that 4 DDs for a value of Rs. 0.48 lakh were not brought to accounts and a further enquiry revealed (July 1987) that the DDs were encashed between November 1986 and February 1987 by one Fair Price Shop dealer by getting them cancelled.

[Paragraph 2.8.4 (xi)]

10.57 The Committee observed from the explanatory notes that the concerned Assistant of MLS point at Gajwel who gave away the DDs to the Fair Price Shop dealer was dismissed from service and that besides lodging a criminal complaint with the Police authorities against Sri T. Venkateswara Rao, the Fair Price Shop dealer, action has also been initiated for recovery of the amount from him under RR Act.

10.58 The Committee directs that the Company besides pursuing the criminal complaint with the Police authorities and the recovery with Revenue authorities, the Company shall also examine the scope for cancellation of licence to the Fair Price Shop dealer involved in the above case.

10.59 A Junior Assistant working at MLS point at Dubbak who was entrusted with the work of collection of DDs and issue of release orders for the period from October 1983 to January 1985 resorted to collection of sale proceeds in cash and non-remittance of the same into the bank, recorded either same DD numbers or wrong DD numbers on several release orders. Consequently, the short realisation of sale proceeds by the district office was to the extent of Rs. 0.05 crore out of which Rs. 0.02 crore were pending realisation at the end of December 1989.

[Paragraph 2.8.4 (xii)]

10.60 The Committee observed from the explanatory notes that Sri M. Narender, the then Junior Assistant who was responsible for misappropriation of sale proceeds was dismissed from service and for recovery of Rs. 0.48 lakh, which was pending realisation from him, the Company directed its district office to initiate criminal action.

10.61 The Committee observed that the entrustment of work relating to collection of DDs and issue of Release Orders to a Junior Assistant was unauthorised and that the Company's Head Office directed the district office to initiate criminal action against the official in the year 1992 while the irregularities were noticed in the year 1985.

10.62 The Committee is firmly of the view that owing to failure at supervisory level to check the work done by the assistant in regard to the release orders, the assistant committed the irregularity unchecked. The Committee, therefore, directs that besides taking appropriate action for recovery of the amount of Rs. 0.48 lakh from the Junior Assistant, the Company shall fix responsibility on the officers for their laxity in supervision and control while entrusting the work of collection of DDs and issue of Release Orders to a Junior Assistant.

11. DELAY IN REALISATION OF DUES

11.1 The district offices were required to collect sale proceeds in advance in respect of palmolein oil supplied to APSCSC under mid-day meal programme. Out of Rs. 1.79 crores due from APSCSC towards the cost of palmolein oil supplied between October 1983 and June 1985, Rs. 0.45 crore remained unrealised (December 1989).

(Paragraph 2.8.5. (i))

11.2 The Committee observed from the explanatory notes that the amount of Rs. 0.45 crores was yet to be realised from APSCSC.

11.3 The Committee directs that the CCS shall arrange for release of amount by APSCSC and submit a report to the Committee by June 1993 indicating the details of release of Rs. 0.45 crore by APSCSC to the Company.

11.4 In respect of 1535.5 tonnes of rice supplied to hostels run by Social Welfare Department during the period from July 1983 to June 1984, the Kurnool district office claimed sale proceeds at the subsidised rate of Rs. 2,650 per tonne instead of issue rate at MLS point resulting in short realisation of sale proceeds by Rs. 0.03 crore and loss of Rs. 0.02 crore by way of interest charges on differential amount of sale proceeds up to December 1989. Further, in respect of 43.6 tonnes of rice supplied on credit to hostels run by Social Welfare Department, during October and November 1984, the Warangal district office had not realised the sale proceeds amounting to Rs. 1.15 lakhs and this non-realisation of sale proceeds resulted in loss of Rs. 0.01 crore by way of interst charges up to December 1989.

(Paragraph 2.8.5 (ii) and (iii))

11.5 The Committee observed from the explanatory notes that the Kurnool district office had subsequently realised Rs. 2.34 lakhs leaving a balance of Rs. 0.22 lakh, while the Warangal district office was yet to realise the amount of Rs. 1.15 lakhs.

11.6 The Committee directs that the Company shall pursue the above cases with the Director of Social Welfare for expeditious realisation of the amounts due from the hostels run by Social Welfare Department.

12. SUBSIDY SCHEME :

12.1 In December 1982, State Government introduced a scheme for supply of rice to public at subsidised rates (Rs. 1.90, Rs. 2.10 and Rs. 2.15 per Kg.) which was modified in April 1983 to supply rice at Rs. 2 per Kg. upto 25 Kg. a month to green colour ration card holders having income upto Rs. 6,000 per annum. Under National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) sponsored by Central Government, 50 per cent of the wages to the labourers were to be paid in the form of rice upto 1.5 kg. at Rs. 1.85 per kg. and the cost of rice thus supplied was to be adjusted against wages payable to the labourers and in March 1984, State Government entrusted to the Company the work of procurement of rice from FCI and its distribution to the beneficiaries under both the programmes (NREP and RLEGP) while the funds for the purpose were to be provided by different agencies involved in implementation of the programmes. The labourers who were supplied rice under the centrally sponsored programmes were not entitled to receive rice under subsidy scheme of State Government. In January 1985, State Government modified the procedure providing (i) for merger of rice drawn from FCI with the rice meant for distribution under its subsidy scheme, (ii) for payment of wages in full in cash to labourers covered by centrally sponsored programmes and (iii) for supply of rice to those labourers under its subsidy scheme. From the year 1986-87, FCI used to supply rice under centrally sponsored programmes to the Company free of cost as it (FCI) used to receive the cost of rice direct from the programme implementing agencies while the sale proceeds realised by the Company were to be remitted to State Government (by adjustment against subsidy receivable). During the period from January 1985 to March 1988 the Company lifted 2.98 lakh tonnes of rice valued Rs. 69.09 crores under centrally sponsored programmes and utilised the same for distribution under subsidy scheme of State Government. The Centrally sponsored programmes were aimed at supply of rice to labourers as part of their wages upto 1.5 kg. per head per day at subsidised rate of Rs. 1.85 per kg. with a view to bring improvement in the overall quality of life of labourers in rural areas. However, under the modified procedure of State Government, a family of labourers was entitled to a maximum quantity of 25 kg. of rice per month for the entire family at Rs. 2.00 per kg. while under the centrally sponsored programmes each labourer in the family was entitled to receive 37.5 kg. of rice per month at Rs. 1.85 per kg. the labourers who were working at a place other than their village have to go to the village in which they held their ration supply

(green) cards under subsidy scheme while they were entitled receive rice at their work spot under centrally sponsored programmes. Consequently, the rice meant for labourers under centrally sponsored programmes had not reached the intended beneficiaries to the full extent and the extent of rice thus not distributed to the labourers under centrally sponsored programmes during the period from January 1985 to March 1988 was assessed at 0.24 lakh tonnes valued Rs. 4.47 crores.

(Paragraph 2.9)

12.2 The Committee observed that above deviations viz. (i) diversion of rice meant for labourers under the centrally sponsored programmes for distribution to the public under subsidy scheme of State Government, (ii) the supply of rice at Rs. 2.00 per kg. subject to a maximum quantity of 25 kg. per month to a family of labourers under centrally sponsored programmes instead of supplying at Rs. 1.85 per kg. subject to a maximum quantity of 37.5 kg. per month to each labourer in the family were at the instance of State Government and the approval of Central Government was not obtained for these deviations.

12.3 The Committee, therefore, recommends that Government may take suitable action to obtain the approval of the Central Government expediously.

13. TRANSPORTATION INCLUDING HAMALI CHARGES :

13.1 As per instructions of November 1982 of the Company's Head Office, the district offices were required to appoint contractors for stage-II transportation on regular basis from February 1983 after inviting tenders and the rates permitted for stage-II transportation were Rs. 3.75 per Km. upto 15 Km. and Rs. 5.75 per Km. beyond 15 Km. per quintal. However, the Ranga Reddy district office delayed the process of inviting tenders upto April 1984 and consequently, the contractors for stage-II transportation on regular basis were appointed only between July 1984 and May 1985. Taking notice of higher rates allowed to ad-hoc contractors, the Company's Head office instructed (February 1985) the district office to restrict the rates to the ceiling already fixed (Rs.3.75 and Rs. 5.75) and to recover the amounts already paid in excess of ceiling rates from contractor's future bills. These instructions were implemented from January 1985 in respect of contractors for 2 out of 10 taluks and no action could be taken for recovery in respect of the remaining ad-hoc contractors since neither the concerned contractors were with the Company nor were their bills pending with the district office. The payment at rates higher than the maximum rates prescribed to the ad-hoc contractors for the period from December 1982 to December 1984 involved an extra expenditure of Rs. 0.04 crore, which could not be recovered by the district office.

[Paragraph 2.10.1 (ii) (b)]

13.2 The Committee observed from the explanatory notes that the RDDs appointed during the period from May 1983 to January 1984 the ad-hoc contractors for the period up to end of March 1984 and therefore, the Joint Collector, instructed the district office to invite tenders for the year 1984-85; accordingly, the district office invited tenders for the period from April, 1984 and awarded contracts from July, 1984 onwards after reinviting tenders in July, 1984 in respect of 3 taluks for which quoted rates were considered to be as on high side; and in each taluk the existing ad-hoc contractors were continued beyond March, 1984 till contractors on regular basis were appointed.

13.4 The VC & MD informed the Committee that because of the bad roads in rural areas of Ranga Reddy district the ad-hoc contractors were allowed rates which were higher than the maximum rates prescribed by the Company's Head office.

13.5 The Committee considers that in the given circumstances the district office failed to inform the District Collector and the Joint Collector the fact the rates allowed to the ad-hoc contractors appointed by the RDOs were higher than the maximum rates authorised by the Company and to obtain permission for appointment of contractors on regular basis. The Committee considers further that there was delay on the part of the district office in initiating the process of inviting tenders (while the ad-hoc contracts expired by March 1984, it invited tenders only in April 1984 and awarded regular contracts from July 1984).

13.6 The Committee, therefore, directs that the Company shall investigate into the matter and fix responsibility on the officials of the district office for the above failures and submit a report to the Committee by June 1993 on the action taken in the matter.

13.7 In Cuddapah district, there was a representation in May 1986 from the beneficiaries for enhancement of transport charges per quintal in respect of rural mandals from Rs. 2 upto 8 km. and 8 paise per km. beyond 8 km. to Rs. 3 upto 10 km. and 10 paise per km. beyond 10 km. The proposals received from the District Collector were not considered by the Company till April 1987 when, on receipt of guidelines (for working out economic rates) from the Commissionerate of Civil Supplies, the District Collector was asked to submit revised proposals in the matter in accordance with the guidelines. However, in October 1987, the beneficiaries resorted to dharna and consequently, the Joint Collector, after consultations with the RTO, agreed to the rates demanded by the beneficiaries and implemented the revised rates with the approval of the District Collector from January 1987. In December 1987, the Company's Head office instructed the district office to work out the economic rates for regulating transport charges as per guidelines of the Commissionerate while the district office worked out the economic rates only in October 1989 (involving a delay of about 22 months) and the rates allowed to beneficiaries when compared to economic rates involved an extra expenditure of Rs. 0.03 crore.

[Paragraph 2.10.1 (iii)]

13.8 The Committee considers that the district office failed to workout the economic rates to serve as a guideline to the Joint Collector before conceding the rates demanded by the beneficiaries, while the Joint Collector failed to submit revised proposals (in accordance with the guidelines of the Commissionerate) called for by the Company's Head Office in March 1987 and also to explain the reasons/justification for allowing to the beneficiaries, higher rates as compared to economic rates involving extra expenditure of Rs. 0.03 crore without the approval of the Company.

13.9 The Committee, therefore, directs that the Company shall obtain a detailed report in the matter from the District Collector and submit a report to the Committee by June 1993 indicating the details of action taken for recovery/regularisation of extra expenditure of Rs. 0.03 crore and to fix responsibility on the officials for their acts of omission/commission, if any, in the matter.

13.10 There was no mention in the transport contracts for payment of transport charges towards extra mileage involved in getting the loaded lorries weighed on private weigh bridges. However, on the basis of a representation, from the transport contractor, the Warangal district office entertained claims for extra mileage for the distance between FCI godowns and a private weigh bridge at Warangal involving extra expenditure to the Company and at the instance of the Company's Head Office the payment for extra mileage from November 1987 was stopped on the plea that the transport contractor was responsible for delivery of stocks at destination irrespective of extra mileage involved for weighment.

[Paragraph 2.10.1 (iv)]

13.11 The Committee noticed from the explanatory notes that owing to non-availability of a weigh bridge at FCI godowns in Warangal town the trucks had to go for weighment on a private weigh bridge situated at a distance of 4 km. and the actual expenditure on extra mileage allowed for the period upto October 1987 worked out to Rs. 2.22 lakhs and that the extra mileage was allowed as per orders of the Joint Collector. The Committee considers further that keeping in view the fact that in the relevant agreement there was no provision for payment towards extra mileage for weighment, the district office should have sought instructions from the Head Office before implementing the orders of the Joint Collector allowing extra mileage.

13.12 The Committee directs that the Company shall obtain a detailed report in the matter from the District Collector, Warangal and initiate action to fix responsibility on the officials for their acts of omission/commission, if any, in the matter and submit a report to the Committee by June 1993.

13.13 The Chittoor district office obtained in January 1986 from Roads and Buildings (R&B) Department, authenticated distances between FCI godowns at Renigunta and various MLS points; while

egulating payment for transport charges the distances adopted by it in respect of 19 MLS points were more, ranging between 19 and 73 km., involving extra expenditure of Rs. 0.04 crore during the year 1986-87. [Paragraph 2.10.1 (iv)]

13.14 The Committee observed from the explanatory notes that the distances authenticated by R. and B. Department were the shortest covering the Bhakarapet ghat section and that at the request of the transport contractors that for trucks carrying loads over 5.5 tonnes the ghat section would be risky and dangerous, the Joint Collector permitted the movement of trucks to Pileru and other 18 MLS points via Pakala.

13.5 The Committee observed that the Company had not explained the route by which the trucks were carrying loads to Pakala and 18 other MLS points prior to approval of deviation (via Pakala) from the shortest route (via ghat section) by the Joint Collector in 1986.

13.16 The Committee, therefore, directs that the Company shall submit a report to the Committee by June 1993 indicating the route by which the movement of trucks was regulated prior to approval of deviation by the Joint Collector (in 1986) and the route by which movement is regulated at present.

13.17 The Khammam district office obtained in February 1986 from R. and B. Department authenticated distances from FCI godown at Khammam to 12 out of 22 mandal level godowns; a test check of payments for the years 1984-85 to 1987-88 revealed that in respect of 7 out of 12 mandal level godowns the distances claimed by the transport contractor and paid for by the district office were more ranging upto 16 km. than the authenticated distances involving extra expenditure.

[Paragraph 2.10.1 (vii)]

13.18 The Committee observed from the explanatory notes that the failure to obtain authenticated distances in the beginning and subsequent failure to restrict the claimed distances to authenticated distances resulted in excess payment of transport charges to the extent of Rs. 1.19 lakhs, out of which Rs. 0.76 lakh were since recovered and action was being taken for recovery of balance amount under RR Act from the transport contractors.

13.19 The Committee considers that there was failure on the part of the officials of the district office to obtain authenticated distances from R. and B. Department and to restrict the distances claimed by the contractor to the authenticated distances which resulted in excess payment of transport charges.

13.20 The Committee, therefore, directs that the Company, besides taking action for recovery of the balance amount of Rs. 0.43 lakh under RR Act from the transport contractors, shall fix responsibility on the officials of the district office for their failure to restrict the claims of the contractors resulting in excess payment of transport charges.

13.21 As there was delay in appointment of transport contractor on regular basis in Nalgonda district, 4 members of staff of the district office were deployed for departmental movement of food grains from FCI godowns to MLS points in the month of August 1985 and during the period from February to November 1986. While arranging departmental movement, the staff members indulged in malpractices which resulted in short accountal of 36.6 tonnes of rice valued Rs. 1.01 lakhs and excess payment of Rs.0.10 lakh towards transport charges due to adoption of distances as per APSRTC's bus routes instead of shortest routes. [Paragraph 2.10.1(xi)]

13.22 The Committee observed from the explanatory notes that the Company ordered for recovery of the amount of Rs.1.11 lakhs from the officials concerned but no part of it could be recovered owing to pendency of a stay granted in September 1990 by APAT. The Committee observed further that no departmental action was taken against concerned officials of the district office.

13.23 The Committee directs that the Company shall submit a report to the Committee by June 1993 indicating the details of amounts recovered as well as the details of departmental action taken against concerned officials of district office.

13.24 As against 4.78 lakh tonnes of imported edible oils valued Rs. 4.77 crores lifted by APSCSC for transportation to distribution points during the period 1983-84 to 1987-88, stock receipt particulars were received from the Company's district offices only for a quantity of 2.92 lakh tonnes valued Rs.2.92 crores. Further, the Company did not attempt to assess and adjust the shortages for the period from January 1984; and according to an assessment made by Audit the Company had to recover an amount of Rs.1.80 crores from APSCSC towards value of 1,923 tonnes of imported edible oils short delivered during the period from January 1984 to June 1988. [Paragraph 2.10.1(xiii)]

13.25 The Committee observed from the explanatory notes that the particulars of quantities of imported edible oils delivered by APSCSC since January 1984 were received from only 18 out of 23 district offices and that the Company was yet to prefer a claim on APSCSC towards value of imported edible oils short delivered. The Committee observed further that there was failure on the part of the officers at the Company's Head Office and the district offices in arranging periodical reconciliation of quantities of imported edible oils delivered by APSCSC by obtaining particulars of quantities received in each month from each of the distribution points.

13.26 The Committee, therefore, directs that besides completing reconciliation of quantities of imported edible oils received by the district offices for the period from January 1984 to October 1991 and preferring claims on APSCSC towards value of imported edible oils short delivered, the Company shall initiate action on the concerned officers responsible for not arranging timely reconciliation of quantities of imported edible oils delivered by APSCSC.

13.27 The instructions of June 1982 of the Company's Head Office for conducting quality checks before lifting food grains from the godowns of FCI were not followed by the district offices; consequently, food grains procured during the period from 1982 to 1985 included 1,226 tonnes of wheat of sub-standard quality lifted by 7 district offices and due to non-observance of first-in-first-out method in issue of stocks, the quality of those stocks deteriorated further. Out of 1,226 tonnes of wheat, 726.8 tonnes valued Rs.0.15 crore were disposed off for Rs.0.04 crore, 51.8 tonnes valued Rs.0.01 crore were lost and balance 447.4 tonnes valued Rs.0.09 crore were awaiting disposal in December, 1989. [Paragraph 2.11]

13.28 The Committee observed from the explanatory notes that the Companay had disposed off the balance quantity of 447.4 tonnes of wheat and that (a) loss on disposal in the districts of Krishna and Srikakulam was recovered from the commission bills of the then stockists, (b) loss on disposal in the districts of Chittoor and Karimnagar was pending recovery from the then stockists, (c) action had been initiated to fix responsibility for loss on disposal in the districts of Mahaboobnagar and Ranga Reddy and (d) the work of reconciliation of stock to ascertain loss in Nalgonda district was in progress. The Committee observed further that there was failure on the part of officers in the district offices to follow the instructions of the Company's Head Office for conducting quality checks before lifting the food grains.

13.29 The Committee, therefore, directs that the Company shall submit a report by June 1993 indicating (i) the details of quality and value of damaged wheat, loss sustained on its disposal, the extent of loss determined as recoverable from stockists/officials, the amounts actually recovered from each stockist/official and action taken for recovery of balance amount from the stockist/official in each case and (ii) the details of departmental action taken against the officials in the district offices for their failure to conduct quality checks before lifting the stock from the godowns of FCI.

14. LOSS ON DISPOSAL OF NON-MOVING COMMODITIES:

14.1 During the period from December 1981 to March 1982 the district offices of Chittoor, Cuddapah, Ananthapur and Nellore districts lifted a quantity of 18,179.7 tonnes of rice from godowns of FCI without exercising quality checks; of this, a quantity of 938.3 tonnes of rice valued Rs.0.22 crore could not be released to Fair Price shops due to bad quality and therefore, the same was disposed off between june and December 1982 through auction/price reduction for Rs.0.19 crore and the loss of Rs.0.03 crore was awaiting regularisation. [Paragraph 2.11(i)]

14.2 The Committee observed from the explanatory notes that in the initial stages of introduction of subsidy scheme (under PDS) extending upto village level, the Company had to handle the stocks of rice on large scale although it did not have sufficient staff for quality control and hence, responsibility could not be fixed for the loss. The Committee observed further that no action was taken by the Management on the instructions of the Chairman of the Company to examine and fix responsibility for the loss in the districts of Ananthapur and Chittoor.

14.3 The Committee, therefore, directs that the Company shall submit a report to the Committee by June 1993 indicating the results of its investigation conducted as per instructions of the Chairman of the Company into the loss in the districts of Ananthapur and Chittoor and the details of action taken to fix responsibility on the officials for their acts of omission and/or commission noticed on such investigation.

14.4 In June 1982, the godowns under control of the Hyderabad district office reported the availability of 184.9 tonnes of damaged/sub-standard wheat valued Rs.0.03 crore out of which 79.2 tonnes were disposed off for Rs.0.02 crore between June 1982 and February 1983 without obtaining the approval of CCS. For disposal of 105.7 tonnes valued Rs.0.02 crore offer of Rs.2,302.50 per tonne received in May 1983 from a party was kept in abeyance for want of approval from CCS. The approval of CCS was received only in September 1984 and after inviting fresh tenders in February 1985, 101.2 tonnes were disposed off at Rs.470 per tonne (balance quantity of 4.5 tonnes was lost due to storage); the delay in disposal of damaged wheat resulted in a loss of Rs.0.01 crore. [Paragraph 2.11(ii)]

14.5 The Committee observed from the explanatory notes that the disposal of damaged wheat required permission from Central Government and that there was delay in obtaining permission by CCS from Central Government. The Committee observed further the delay of more than 20 months in disposal of 105 tonnes of wheat could have been avoided, had the officers of the Commissionerate of Civil Supplies pursued the matter effectively with Central Government.

14.6 The Committee desires the CCS to ensure that such delays are avoided in future.

14.7 Out of 400 tonnes of soyabean oil (in 2 Kg tins) allotted for March 1984 for distribution through PDS in Hyderabad 200 tonnes were diverted for distribution in Guntur and Vijayawada; and owing to lack of demand, 147 tonnes of soyabeen oil (out of 200 tonnes) remained unsold in Hyderabad. After decanting, a net quantity of 140 tonnes of soyabean oil was returned (January - February 1985) to the supplier. The Company sustained a loss of Rs. 3.41 lakhs on account of transportation, shortages, handling charges and interest charges on locked up funds. [Paragraph 2.11.(iii)]

14.8 The Committee observed from the explanatory notes that the loss was mainly due to allotment by Government and subsequent procurement by the Company of soyabean oil in bulk without ascertaining the consumer preference for edible oils.

14.9 The Committee directs that the Company shall submit by June 1993 a report indicating the manner in which the loss was proposed for regularisation.

15. TRADE AND SECURITY DEPOSITS:

15.1 The district offices were required to collect trade deposits at Rs. 1,000 from Fair Price shop dealers in rural areas and Rs.2,000 from those in urban areas. The district offices were also required to collect security deposits at prescribed rates from the stockists and transport contractors. According to demand-collection-balance (DCB) statements prepared by the Company's Head Office, as against a total demand of Rs.7.24 crores, the collection (by way of trade deposits and security deposits) was to the extent of only Rs.4.35 crores leaving a balance of Rs.2.89 crores. [Paragraph 2.12(i)]

15.2 The Committee observed from the explanatory notes that the actual collection was to the extent of Rs. 6.82 crores to the end of March 1989 and the difference between demand and the collection was mainly due to sanction of concession to co-operative societies, candidates belonging to Scheduled Castes and Scheduled Tribes and candidates covered by self employment schemes to remit trade/security/deposits in instalments. The Committee observed further that instructions were being issued to the RDOs who are empowered to issue licence for establishing FP shops to collect trade deposits in all cases in which they were due.

15.3 The Committee recommends that APSCSC to which the activities of the Company were transferred (from November 1991) shall introduce a suitable system for regular review of trade deposits and security deposits collectable and those collected as also the adequacy thereof.

16. STAFFING PATTERN:

16.1 The Company started functioning in April 1981 with officials drafted from various Departments and for the district offices staff was sanctioned in December 1981/August 1986 on an ad-hoc and uniform basis without any regard to work load involved. Pending implementation of Government orders of March 1983 for the merger of the Company, APSCSC, APSTC and APSWC, the Company had not recruited employees on regular basis but to meet the increased work load it had drafted officials on deputation from various Departments. An attempt made by Audit revealed that 80 per cent of its employees at the end of January 1988 were deputationists and thus, the Company was mainly depending upon deputationists for its day to day functioning. [Paragraph 2.13]

16.2 The Committee observed from the explanatory notes that with the transfer of its activities to APSCSC from November 1991, the Company had become defunct, consequent upon which the services of its regular employees (numbering about 100) were transferred to APSCSC, while most of the deputationists were repatriated to their parent departments. The Committee observed further that with the repatriation of deputationists, the Company had been functioning with its regular staff who became the employees of APSCSC but deployed for compilation of accounts of the Company and consequently, there is no staff in the district offices to pursue the matters relating to recovery through Courts/RR/Act/ correspondence with appropriate authorities (i) in all cases of misappropriation of stocks and sale proceeds by employees (including deputationists) DTs and other parties (viz., stockists, transport contractors, etc.) and (ii) in all other cases of dues realisable by the Company.

16.3 The Committee, therefore, recommends that CCS shall make adequate arrangements that are necessary for proper follow-up in all cases in which amounts are recoverable/realisable by the Company and that CCS shall submit a report to the Committee by June 1993 on the action taken in the matter.

16.4 While extending the PDS to village level, Government created (June/December 1982) one post each in the cadres of Deputy Tahsildar, Revenue Inspector and Attender for each of the 304 taluks and the expenditure on the above posts had to be shared equally by APSCSC and the Company. The expenditure on the above establishment for the period from November 1983 to February 1988 were borne (at the instance of Government) by the Company subject to obtaining reimbursement from APSCSC to the extent of 50 per cent of total expenditure. However, as the district offices failed to report the required particulars, the Company's Head Office could not ascertain the total expenditure and consequently, it could not prefer (December 1989) claims on APSCSC for reimbursement of 50 per cent of total expenditure. [Paragraph 2.13 (i)]

16.5 The Committee noticed from the explanatory notes that the total expenditure incurred by the Company up to March 1988 was Rs.402.70 lakhs, out of which APSCSC has to reimburse to the extent of Rs.201.35 lakhs and that APSCSC which had released Rs.51 lakhs in September 1985 as advance was requested to reimburse the balance amount of Rs.150.35 lakhs.

16.6 The Committee recommends that CCS shall arrange for early reimbursement of Rs.150.35 lakhs by APSCSC to the Company.

16.7 In November 1983, Government sanctioned 552 posts of Home Guards for utilisation in 138 check-posts to strengthen the border security and withdrew the sanction in January 1987 and as per directions of November 1983 from Government, the expenditure on the above establishment was initially to be met by the Company subject to reimbursement. As the district offices failed to report the required particulars, the Company's Head office could not submit (December 1989) claims to Government for reimbursement of expenditure incurred (on behalf of Government) on the above establishment. [Paragraph 2.13(ii)]

16.8 The Committee observed from the explanatory notes that the total expenditure incurred worked out to Rs.22.57 lakhs, for reimbursement of which the Company had already submitted a claim to Government.

16.9 The Committee recommends that CCS shall arrange for early reimbursement of Rs.22.57 lakhs by Government to the Company.

16.10 At the instance of Government the Company incurred (April 1984 to August 1988) expenditure to the extent of Rs.1.35 lakhs towards pay and allowances of an Assistant Supply Officer at Visakhapatnam. This expenditure was to be shared equally by APSCSC and the Company but no action was taken (December 1989) by the Company to claim reimbursement from APSCSC. [paragraph 2.13(iii)]

16.11 The Committee observed from the explanatory notes that the Company had already submitted a claim on APSCSC for Rs.0.71 lakh.

16.12 The Committee recommends that CCS shall arrange for early reimbursement of Rs.0.71 lakh by APSCSC to the Company.

17. OUTSTANDING ADVANCES:

17.1 In 8 out of 23 district offices reviewed in Audit, from out of Rs. 1.06 lakhs advanced as imprest cash to 106 DTs, an amount of Rs.0.73 lakh was remaining unadjusted in December 1989 and the delay was due to lack of follow-up and retirement of DTs against whom the advances were outstanding. [Paragraph 2.14(i)]

17.2 The VC & MD deposed before the Committee that some DTs failed to render accounts/to refund the imprest cash and therefore, the Company issued instructions to its district offices not to provide advances as imprest and to the Joint Collectors to review the cases of outstanding advances and take action for getting back the money from the DTs.

17.3 The Committee directs that the Company shall furnish a report by June 1993 indicating the total amount outstanding as imprest advance to DTs and the details of action taken in each case.

18. MAINTENANCE OF ACCOUNTING RECORDS AND INTERNAL AUDIT:

18.1 The Company had taken up the distribution of essential commodities from December 1981 while detailed instructions for maintenance of accounts records as also the maintenance of accounts on commercial lines were issued only in December 1983. In all the 13 district offices of the Company reviewed in Audit (i) the vouchers for receipts and payments were either not maintained or maintained in incomplete shape. (ii) the stock registers were maintained on the basis of monthly reports received from the stockists and (iii) accounts wing was not properly managed and consequently, the work of reconciliation of cash and stock accounts as also the compilation of accounts fell into arrears. Internal audit for the period from June 1981 to March 1982 was got conducted by a firm of Chartered Accountants. Internal Audit (IA) wing which was constituted in August 1986 and started functioning from February 1988 had (i) completed, by December 1989, the audit of all the 23 district offices for the year 1984-85 and 11 district offices (out of 23) for the year 1985-86 and (ii) reported financial irregularities/ommissions agregating Rs.2.63 crores. [Paragraph 2.15]

18.2 The Committee observed from the explanatory notes that (i) the results of audit by IA wing were reported (April/December 1989) to the Board which desired proper follow-up in all cases of financial irregularities reported by IA wing and (ii) the staff in IA wing were being utilised for assisting the Statutory Auditors for compilation of accounts.

18.3 The Committee observed further that the Company's transactions for the period from April 1982 to June 1984, for the year 1985-86 (except 11 district offices) and for the period from July 1986 to October 1991 remained unaudited by IA wing.

18.4 The Committee, therefore, directs that keeping in view the results of audit for the year 1984-85 (all district offices) and 1985-86 (11 district offices) and also considering the fact that delay in detection of financial irregularities would render the process of initiating follow-up action difficult, the Company

shall (i) arange the completion of audit of transaction of all district offices and the Head Office upto October 1991 by IA wing and (ii) ensure proper follow-up action in all cases of financial irregularities involving recoveries from the employees including deputationists, DTs and other parties (stockists, transport contractors, Fair Price Shop dealers etc.).

19. MONITORING:

19.1 The Company had not introduced suitable systems for effective monitoring of its various activities and functions at district level and consequently, various shortcomings/irregularities were persisting over a period of years. [Paragraph 2.16]

19.2 The Committee, taking note of the fact that the activities of the Company were transferred to APSCSC from 1st November, 1991, directs that the Company shall prepare exhaustive lists, district-wise, indicating the amounts determined as recoverable and the amounts recovered from its employees (including deputationinsts), DTs and other parties, viz. stockists, transport contractors, Fair Price shop dealers, as on 31st October 1991 towards value of stocks and/or cash misappropriated and towards losses sustained by the Company by way of interest charges, additional expenditure, etc. The Committee directs further that Company shall furnish a report by June 1993 indicating in each case, the amount pending recovery and the details of action taken for recovery of the amount due as also the details of action taken to fix responsibility against the officials for their acts of omission and/or commission which rendered possible the misappropriation of stocks and/or cash or loss to the Company. The Committee urges the VC and MD of APSCSC to keep a watch over these cases as the activities of the erstwhile ESCOM have been merged with APSCSC.

20. OTHER TOPICS OF INTEREST:

20.1 NON-UTILISATION OF LOAN OBTAINED TO FINANCE FAIR PRICE SHOPS:

In February 1984, AP Scheduled Castes Co-operative Finance Corporation (APSCCFC) placed at the disposal of the Company Rs.1.00 crore for disbursement among Scheduled Caste (SC) beneficiaries by way of loans up to Rs.10,000 per Fair Price shop at 6.5 per cent interest. Out of Rs.1.00 crore, the Company provided (June 1985) an amount of Rs.0.02 crore to the District Collector, Cuddapah, adjusted Rs.0.61 crore against trade deposits due from FP shops (allotted to SC candidates) and also appropriated Rs.0.22 crore

representing the amount it had already kept at the disposal of its district offices for financing the FP shops allotted to SC candidates. As APSCCFC did not accept the adjustments, the Company refunded in June 1988 the entire amount of Rs.1.00 crore together with interest (at 12.5 per cent). [Paragraph 2.17.1]

The Committee observed from the explanatory notes that an amount of Rs.0.98 crore out of Rs.1.00 crore was refunded by the Company due to failure of the District Collectors to identify the beneficiaries from Scheduled Castes and sponsor candidates who were to be provided loans for establishing FP shops. The Committee observed further that the District Collector, Cuddapah sanctioned loans to 20 SC beneficiaries without executing agreements.

The VC & MD informed the Committee that an amount of Rs.1.24 lakhs was recoverable from SC beneficiaries who were sanctioned loans for establishing FP shops and that action was being taken for recovery of the amount under RR Act as the beneficiaries were not continuing as FP shop dealers.

The Committee directs the Company to make all out efforts for recovery of the amount of Rs.1.24 lakhs due from SC beneficiaries who were sanctioned loans for establishing Fair Price shops but are not continuing as Fair Price shop dealers.

20.2 UNAUTHORISED ENTRUSTMENT OF DISTRIBUTION OF FOODGRAINS:

In contravention of the orders of Government, the District Collector, Ranga Reddy District entrusted the wholesale distribution of rice and wheat in Ranga Reddy district to District Co-operative Marketing Society (DCMS) from August 1982 and this activity was, however, taken over by the Company from July 1983. The DCMS was allowed margin at Re.1 per quintal up to September 1982 and at Rs.1.05 per quintal thereafter. The action of the District Collector was, however, ratified by the Board in July 1984. While functioning as stockist, the DCMS failed to remit sale proceeds amounting to Rs.0.29 crore while the Company's district office provided a working capital loan of Rs.0.30 crore by unauthorised diversion from cash credit. However, the working capital loan of Rs.0.30 crore and the unremitted sale proceeds aggregating Rs.0.29 crore were recovered in June 1985 by the Company from the dues payable to the DCMS. [Paragraph 2.17.2]

The Committee observed that failure of the DCMS to remit sale proceeds promptly entailed loss to the Company to the extent of Rs.0.09 crore by way of interest charges and that the explanatory note was silent on this aspect. The Committee considers that the Company should have preferred a claim on the DCMS for reimbursement of loss of Rs.0.09 crore sustained by it by way of interest charges due to the failure of the DCMS to remit sale proceeds as and when collected.

The Committee, therefore, directs that the Company shall prefer a claim on the DCMS and realise the amount of Rs.0.09 crore

and submit to the Committee a report by June 1993 on the results of action taken in the matter.

20.3 DELAY IN INSTALLATION/COMMISSIONING OF STORAGE TANKS:

With a view to provide edible oil storage facilities in four district headquarters, the Company acquired during 1982-83 four storage tanks at a cost of Rs.3.72 lakhs for erection and commissioning. While three of these tanks were commissioned at Visakhapatnam, Vijayawada and Kakinada respectively in June 1985, January 1988 and April 1988 the fourth tank which was erected at Kurnool was yet to be commissioned. [Paragraph 2.17.6]

The VC & MD deposed before the Committee that the delay was due to procedures involved in acquisition of land, in obtaining permission for the land use, supply of water and electricity, etc. and also due to non-availability of engineering wing in the Company. He deposed further that these tanks would be useful for storage of palmolein oil and in the event of continued short supply of pamolein oil, these tanks would be converted into storage tanks for kerosene.

The Committee observed that the delay in erection of storage tanks at Kakinada and Kurnool was more than 6 years which would indicate that the Company's officers concerned had not pursued effectively with local authorities to ensure that the tanks acquired were put to beneficial use within a reasonable time.

The Committee recommends that the APSCSC which has presently taken over the activities of the Company shall ensure that the storage tanks are put to proper use without any further loss of time.

20.4 PURCHASE OF TRUCK MOUNTED TANKERS FOR TRANSPORTATION OF KEROSENE:

For transportation of kerosene from wholesale points to retail points, the Company acquired 9 truck mounted tankers at a cost of Rs.13.77 lakhs and allotted (December 1982 to January 1983) one tanker each to 9 district offices. The utilisation of these vehicles was very poor from the beginning and the income earned (Rs.2.89 lakhs) was not adequate even to cover cash expenditure of Rs.5.09 lakhs. [Paragraph 2.17.7]

The Committee observed from the explanatory notes that due to bad roads and inaccessible villages the utilisation of these tankers was very poor and out of 9 tankers, 5 tankers were disposed off between May and September 1991 for Rs. 4.49 lakhs while the remaining 4 tankers were awaiting disposal.

The Committee directs that the Company shall dispose off the remaining 4 tankers and submit a report to the Committee by June 1993 on the action taken in the matter.

20.5 CONSTRUCTION OF OFFICE COMPLEX AND RESIDENTIAL QUARTERS:

The Company got constructed (October 1983-May 1984) a building complex providing office accommodation to the district office and the residental accommodation to the Joint Collector. Up to April 1988, the residental accommodation was utilised as godown of APSCSC. [Paragraph 2.17.8]

The Committee observed that for the accommodation occupied up to April 1988 by APSCSC the Company was yet to assess and collect rent.

The Committee directs that the Company shall assess and recover rent from APSCSC for the period up to 1988 and keeping in view the fact that its activities have been transferred to APSCSC, the Company shall initiate action for the use of the complex by other organisations depending upon the availability of surplus space and submit a report to the Committee by June 1993 on the action taken in the matter.

20.6 LOSS OF EDIBLE OIL DUE TO LOOTING BY MISCREANTS:

Janata Super Bazar at Nidadavolu, the stockist for edible oils, reported about looting of 13.1 tonnes of palmolein oil by miscreants during floods in August 1986. An inspection of premises by the Company's Officer revealed that the stockist kept the stocks in open yard without any protection at a place which was different from the place where the stocks were usually kept. Although the stockist was responsible for safety of stocks and for all losses arising out of the transaction, no action was taken by the Company to recover the cost of pamolein oil lost in looting. [Paragraph 2.17.9]

The Committee observed from the explanatory notes that district office had since initiated action for recovery of Rs.0.74 lakh from the stockist under RR Act.

The Committee directs that the Company shall pursue the matter of recovery and submit a report by June 1993 to the Committee on the action taken in the matter.

20.7 ACQUISITION OF THREE READY BUILT HOUSES IN VISAKHAPATNAM:

The Company's district office at Visakhapatnam acquired (January 1983) three ready built houses of HIG category from Visakhapatnam Urban Development Authority at a total cost of Rs.4.52 lakhs and this was done without prior approval of competent authority and by unauthorised diversion of funds from cash credit. While the basis on which the requirement of houses was assessed was not on record, these houses since September 1983 were under occupation mainly by persons not connected with the Company.

[Paragraph 2.17.10]

The Committee observed that the Board ratified in November 1985 the acquisition of these houses and also approved the priority list of categories of officers eligible for allotment of these houses.

The Committee, keeping in view the fact that the Company's activities are already transferred to APSCSC, recommends that the Company shall initiate action for disposal of these houses by transfer to other organisations and submit a report by June 1993 to the Committee on the action taken in the matter.

SUMMARY OF RECOMMENDATIONS

1. The Committee directs the Company to submit a report by June 1993, indicating the actual amount of SAS and ISS collected from the consumer-public, right from the inception of the levy amount remitted to the Government, actual expenditure incurred by the Company on construction of godowns and the manner of utilisation of the balance.

(Para 4.5)

2. The Committee also directs the Government to utilise the amounts so collected towards SAS and ISS on creation of infrastructure facilities by formulating suitable plan of action. The Committee would like to have a detailed report in this regard from the Government by June, 1993.

(Para 4.6)

3. The Committee recommends that Government may immediately release the amount of Rs. 47 crores due to the Company towards subsidy subject to final adjustment on the basis of audited accounts.

(Para 5.4)

4. The Committee directs that the Company shall arrange expeditious reconciliation of all bank accounts upto date by all the district offices and the Head Office and submit a report to the Committee by June 1993 indicating the progress of reconciliation and further action proposed to be taken in respect of the unreconciled items. The Committee further directs that suitable action be taken to fix responsibility on the officials for their failure to reconcile the bank accounts in time. The Committee directs the Management to fix a time limit for completing the reconciliation and strike the correct bank balance especially in the context of merger of the Company with APSCSC.

(Para 6.5)

5. The Committee recommends that Government shall issue instructions to all its undertakings that, in future, whenever it becomes necessary to operate any post(s) by drafting personnel on deputation/foreign service from Government Department(s)/other organisation(s), the undertaking concerned shall ensure that the person(s) so drafted possessed the required qualifications and experience prescribed for the post(s). The Committee also recommends that the Company shall initiate departmental action to fix responsibility on the officers for their failure to properly organise the finances resulting in loss of Rs. 1.27 crores and submit a report by June 1993 indicating the details of action taken in this regard.

(Para 6.10)

6. The Committee directs that the Company shall initiate action to fix responsibility on officials/officers at its Head Office for their failure to manage the finances which resulted in avoidable payment of interst charges and submit a report to the Committee by June 1993 indicating the details of action taken to fix responsibility on the officers/Officials concerned.

(Para 6.14)

7. The Committee would like to have a report from the Company by June 1993 indicating the details of action taken against the officials responsible.

(Para 6.17)

8. The Committee takes a serious view of this and recommends that Government shall ensure that such irregularity is not repeated in future.

(Para 6.21)

9. The Committee directs the Company to submit a report by June 1993 for the failure to deposit the DDs and also to initiate action to fix responsibility on the official concerned for his failure to submit the DDs as and when received which had resulted in loss of Rs. 1.52 lakhs (up to December 1989). The Committee furhter directs the Company to take immediate action to verify the remaining DDs for Rs. 0.86 lakh and submit a report to the Committee.

(Para 6.25)

10. The Committee directs that the Company shall pursue with the bank for rectification of entries for interest charges on cash credit for the period from January 1988 and submit a report to the Committee by June 1993 indicating the results of action taken in the matter.

(Para 6.28)

11. The Committee regrets to record that no adequate action had been taken by the Company on a serious matter like unusual loss of cheques. The Committee directs that the Company shall effectively pursue with the Police authorities for a report on the results of their investigation and take action for recovery of the amount of Rs. 0.26 lakh from the officials and/or the bank. The Committee directs further that the Company shall submit a report by June 1993 indicating the details of departmental action taken against the officials (viz., the DSO, the AAO and the Assistants) who were held responsible for the loss of cheques.

(Para 6.33)

12. The Committee directs that the Company shall expeditiously complete the reconciliation of sale proceeds of edible oils upto October 1991 and submit a report to the Committee by June 1993 indicating the progress made in reconciliation and the details of action initiated to fix responsibility on the officers at the Company's Head Office for their failure to arrange timely reconciliation of sale proceeds of imported edible oils.

(Para 7.4)

13. The Committee directs that the Company shall investigate the reasons for delay in presenting the DDs to the bank and initiate action (a) to fix responsibility on officials of the Chittoor district office for delays in submission of DDs and (b) to prefer claim on the bank at Khammam for payment of interest charges due to delay on its (Bank's) part to transfer the amounts. The Company may submit a report to the Committee by June 1993 indicating the results of action taken on the above matters.

(Para 7.7)

14. The Committee deplores the inordinate delay in the compilation of accounts and expresses its apprehensions that any further delay in finalising the remaining accounts would add to the difficulties in their completion and therefore, directs the Company that no efforts should be spared to finalise the accounts as per the time schedule given to the Committee.

(Para 8.4)

15. The Committee also directs that the company shall prepare its action Plan for compilation of accounts upto 1991-92 and implement the same by keeping a close watch at the level of VC and Managing Director and submit a report to the Committe by June 1993 indicating the details of action taken on these matters and progress made.

(Para 8.5)

16. The Committee directs that the Company shall initiate action in all cases of shortages/losses in stocks and misappropriation of stocks and/or sale proceeds for recovery of amounts due under RR Act through the District Collectors and ensure effective follow-up in all cases which are pending with the Revenue authorities, Courts or Tribunals and other authorities for their expeditous settlement. The Committee directs furhter that the Company shall prepare an exhaustive list of cases of shortages/losses in stocks and misappropriation of stocks/sale procceds up to October, 1991 in each district indicating in each case the amount recoverable from the custodian together with the name of the private party, co-operative society or the official (CSDT/CSRI) in-charge of the godown the amount recovered, the balance recoverable, details of action taken for recovery of the balance amount, details of punishments awarded to the officials in-charge of godown point as also details of punishments awarded to the officials of the Head Office/district office concerned for their acts of negligence, omission and/or commission which rendered possible the shortage/ loss in stocks or misappropriation of stocks and/or sale proceeds. The Committee desires that the VC & MD shall submit the said list to the Committee by June 1993 together with his remarks on the action taken by the Company in each case.

(Para 9.4)

17. The Committee directs that the Company shall submit a report to the Committee by June 1993 indicating (a) the value of shortages finally determined as recoverable, (b) the amounts already recovered, (c) the amounts due for recovery of which civil suits were filed in September 1985 and September, 1991 and (d) the latest position in respect of each of the civil suits and the criminal case.

(Para 9.8)

18. The Committee directs that besides ensuring proper follow-up in the criminal complaint lodged aginst the two private parties from whom a sum of Rs.19.30 lakhs was pending realisation and in the case of oil tanker for disposal of which a stay granted by the High Court was pending, the Company shall investigate the circumstances under which the diversion of oil was made possible and initiate action to fix responsibility on the officers at the Head Office and the district office for their acts of omission and/or commission. The Committee directs the Company to submit a report

indicating the failure to follow the prescribed procedure/system which rendered possible the large scale diversion of palmolein oil and misappropriation of huge amounts of sale proceeds in Karimnagar district (referred to in paragraph 2.8.48 (i)). The Committee directs that the Company shall submit a report to the Committee by June 1993 indicating the details of action taken in the matter.

(Para 9.13)

19. The Committee directs that the Company shall pursue the matter with Government for orders on the report of the District Collector, Visakhapatnam suggesting recovery from the three officials (including one expired) and that the Company shall pursue the cases pending with APAT to ensure that all the officials covered by the report of the Joint Collector are awarded appropriate punishments for their acts of omission and/or commission.

(Para 9.17)

20. The Committee directs that besides effectively pursuing the cases of all the stockists for recovery of the amounts due, the Company shall submit a report to the Committee by June 1993 indicating (a) in respect of each case, the amount determined as recoverable, the amount already recovered and the details of action taken for recovery of balance amount together with the latest developments and (b) details of action taken to fix responsiblity on the officials of the district office for their various acts of omissions and/or commission in the above cases.

(Para 9.21)

21. The Committee directs that besides pursuing the case for recovery of the amount due from the stockist,the Company shall submit a report to the Committee by June 1993 indicating the details of action taken against the officials of the district office for their various acts of omission and/or commission which rendered possible the misappropriation of stocks valued Rs. 0.12 crore by the stockist.

(Para 9.24)

22. The Committee directs that besides pursuing the case for realisation of the amount through auction of properties of the stockist which were attached under RR Act, the Company shall submit a report to the Committee by June 1993 indicating the details of action taken to fix responsibility on the officials of the district office for the lapses on their party which rendered possible misapproriation of stocks by the Society.

(Para 9.28)

23. The Committee directs that besides taking action to get the stay (which was granted in the case filed by the wife of the stockist) vacated and for realisation of amounts due by auction of the properties held in the name of the wife of the stockist, the Comapny shall submit a report to the Committee by June 1993 on the details of action taken to fix responsibility on the officials of the district office for their acts of omission and/or commission which rendered possible the misappropriation in the case.

(Para 9.32)

24. The Commitee directs that besides taking action for recovery of the amount, under RR Act, from the stockist, the Company shall submit a report to the Committee by June 1993 indicating the details of action taken to fix responsibility on the officials of the district office for their acts of omission and/or commission which rendered possible the misappropriation of stocks valued Rs. 0.11 crore.

(Para 9.36)

25. The Committee, therefore, recommends that besides taking follow-up action for recovery of the amount due from the stockist, the Company shall submit a report to the Committee by June 1993 indicating details of action taken to fix responsibility on the officials responsible for abnormal delay in initiating action under RR Act, for recovery of the amount from the stockist.

(Para 9.40)

26. The Committee directs that besides pursuing the case for recovery of the amount due from the stockist, the Company shall submit a report to the Committee by June, 1993 indicating the latest developments in the case filed by the stockist in the High Court.

(Para 9.43)

27. The Committee directs that the Company shall arrange for reconciliation of stock accounts up to October 1991 in respect of each commodity in all the district offices and submit a report to the Committee by June 1993 indicating (a) the extent of storage losses, shortages in stocks and handling losses, (b) the value of shortages and losses in stocks, determined as recoverable from the custodians of stocks, (c) custodian-wise break-up for the value of stocks thus determined as recoverable, amounts recovered and particulars of action taken for recovery of the balance amount and (d) details of action initiated to fix responsibility on the officials (including deputationists) for their acts of omission and/or commission for such losses/shortages in stocks.

(Para 10.4)

28. The Committee directs that besides pursuing the case for recovery of value of shortages from Sri P. Ananda Rao, RI, more vigorously, the Company shall initiate enquiry and fix responsibility on the officials for not pursuing and fix responsibility on the officials for not pursuing the case to get the stay of APAT vacated and to obtain enquiry report from the RDO.

(Para 10.8)

29. The Committee therefore, directs that notwithstanding the outcome of a fresh departmental enquiry into the irregularities committed by Smt. M. Sandhya Rani, for the misappropriation of stocks and sale proceeds already established in the enquiry by the Sub-Collector, the Company shall initiate appropriate departmental action for recovery of the amount of Rs.1.58 lakhs and also award appropriate punishment as in the case of Sri J. Venkatadri, the other DT involved in the above case of misappropriation. The Committee directs also that the CCS shall submit a report to the

Committee by June, 1993 indicating the amount determined as recoverable from Sri J. Venkatadri, DT and the present status of his case pending with APAT as also the details of departmental action taken against Smt. M. Sandhya Rani, DT. (Para 10.12)

30. The Committee directs that the Company shall initiate action for vacation of stay granted by APAT and for recovery of amounts determined as recoverable from the officials. (Para 10.15)

31. The Committee directs that the Company shall pursue the matter with the District Collector for expeditious recovery of the amount of Rs. 1.10 lakhs and also for awarding appropriate punishment to the then godown in-charge for the irregularity committed by him. (Para 10.18)

32. The Committee, while expressing its unhappiness about the manner in which the above case was dealt with by the Company's officials, directs that besides initiating action for expeditious recovery of amounts from the officials concerned through legal action/RR Act/correspondence with appropriate authorities, CCS shall arrange for detailed investgation into the above case to fix responsibility on the Company's officials at the Head office and at the district office for their acts of omission and/or commission and submit a report to the Committee by June, 1993 indicating the details of action taken by him. (Para 10.22)

33. The Committee directs that the Company shall submit a report to the Committee by June, 1993 indicating the particulars of recovery of Rs. 0.68 lakh and the details of action taken against the DT for his failure to remit the sale proceeds to APSCSC. (Para 10.25)

34. The Committee is of the view that the accumulation of arrears in submitting claims to APSCSC towards commission charges was mainly due to lack of information and monitoring systems in the Company. The Committee, therefore, directs that the Company shall submit a report to the Committee by June,1993 indicating district-wise details as to the period up to which the claims were submitted, the period upto which the claims were settled/by APSCSC, the reasons for dealy in submission of claims for the period, if any, for which claims were not submitted to APSCSC and the details of action taken by the Company for realisation of amounts pending payment by APSCSC. (Para 10.28)

35. The Committee directs that the Company shall arrange for immediate reconciliation of the accounts relating to receipt and utilisation of commission by the MROs and submit a report to the Committee by June,1993 indicating the details of action taken for recovery of amounts determined as unspent balances from the MROs. (Para 10.31)

36. The Committee, therefore, directs that the Company shall work out the loss sustained by it due to improper monitoring of the scheme and submit a report to the Committee by June, 1993 indicating (a) the extent of loss sustained by it by way of interest charges and the manner in which the same was proposed for recovery

and (b) the progress in realisation of amounts due from Fair Price Shop dealers. (Para 10.34)

37. The Committee directs that the Company shall make all out efforts for expeditious finalisation of legal proceedings against the officials involved in the above case and realise the amounts recoverable from them. (Para 10.37)

38. The Committee directs that the Company shall make every effort for expeditious recovery of Rs. 0.77 lakh from the officials (as per Court orders) and Rs. 0.66 lakh from the Society. (Para 10.40)

39. The Committee directs that the Company shall take action for expeditious realisation of the amounts due from APSCSC and the DT. (Para 10.43)

40. The Committee directs that the Company shall take action for expeditious realisation of the amounts due in the above case. (Para 10.46)

41. The Committee directs that the Company, besides pursuing the legal cases for Rs. 0.73 lakh, shall submit a note to the Committee by June, 1993 indicating the details of action taken against the officials of the District office and the DTs for extending unauthorised credit to fair price shop dealers. (Para 10.49)

42. The Committee, therefore, directs that the Company shall submit a report to the Committee by June, 1993 indicating the details of recovery of Rs. 0.04 crore from Sri P. Appala Raju by adjustment from the amounts payable and also the details of action taken to fix responsibility on the officials for their failure to collect security deposit and bank guarantee to the required extent. (Para 10.52)

43. The Committee directs that the Company shall submit a report to the Committee by June, 1993 on the action taken for recovery of the amount of Rs. 0.08 crore by adjustment from the commission charges payable to GCC. (Para 10.55)

44. The Committee directs that the Company besides pursuing the criminal complaint with the Police authorities and the recovery with Revenue authorities, the Company shall also examine the scope for cancellation of the licence to the FP shop dealer involved in the above case. (Para 10.58)

45. The Committee is firmly of the view that owing to failure at supervisory level to check the work done by the assistant in regard to the release orders, the assistant committed the irregularity unchecked. The Committee, therefore, directs that besides taking appropriate action for recovery of the amount of Rs. 0.48 lakh from the Junior Assistant, the Company shall fix responsibility on the officers for their laxity in supervision and control while entrusting the work of collection of DDs and issue of Release Orders to a Junior Assistant. (Para 10.62)

46. The Committee directs that the CCs shall arrange for release of amount by APSCSC and submit a report to the Committee by June,

1993 indicating the details of release of 0.45 crores by APSCSC to the Company. (Para 11.3)

47. The Committee directs that the Company shall pursue the above cases with the Director of Social Welfare for expeditious realisation of the amounts due from the hostels run by Social Welfare Department. (Para 11.6)

48. The Committee, therefore, recommends that Government may take suitable, action to obtain the approval of the Central Government expeditiously. (Para 12.3)

49. The Committee, therefore, directs that the Company shall investigate into the matter and fix responsibility on the officials of the district office for the above failures and submit a report to the Committee by June, 1993 on the action taken in the matter. (Para 13.6)

50. The Committee, therefore, directs that the Company shall obtain a detailed report in the matter from the District Collector and submit a report to the Committee by June, 1993 indicating the details of action taken for recovery/regularisation of extra expenditure of Rs. 0.03 crore and to fix responsibility on the officials for their acts of omission/commission, if any, in the matter. (Para 13.9)

51. The Committee directs that the Company shall obtain a detailed report in the matter from the District Collector, Warangal and initiate action to fix responsibility on the officials for their acts of omission/commission, if any, in the matter and submit a report to the Committee by June, 1993. (Para 13.12)

52. The Committee, therefore, directs that the Company shall submit a report to the Committee by June, 1993 indicating the route by which the movement of trucks was regulated prior to approval of deviation by the Joint Collector (in 1986) and the route by which movement is regulated at present. (Para 13.16)

53. The Committee, therefore, directs that the Company, besides taking action for recovery of the balance amount of Rs. 0.43 lakh under RR Act from the transport contractors, shall fix responsibility on the officials of the district office for their failure to restrict the claims of the contractors resulting in excess payment of transport charges. (Para 13.20)

54. The Committee directs that the Company shall submit a report to the Committee by June, 1993 indicating the details of amounts recovered as well as the details of departmental action taken against concerned officials of the district office. (Para 13.23)

55. The Committee, therefore, directs that besides completing reconciliation of quantities of imported edible oils received by the district offices for the period from January, 1984 to October, 1991 and preferring claims on APSCSC towards value of imported edible oils short delivered, the Company shall initiate action on the concerned officers responsible for not arranging timely reconciliation of quantities of imported edible oils delivered by APSCSC. (Para 13.26)

56. The Committee, therefore, directs that the Company shall submit a report by June, 1993 indicating (i) the details of quality and value of damaged wheat, loss sustained on its disposal, the extent of loss determined as recoverable from stockists/officials, the amounts actually recovered from each stockist/official and action taken for recovery of balance amount from the stockist/official in each case and (ii) the details of departmental action taken against the officials in the district offices for their failure to conduct quality checks before lifting the stock from the godowns of FCI. (Para 13.29)

57. The Committee, therefore, directs that the Company shall submit a report to the Committee by June, 1993 indicating the results of its investigation conducted as per instructions of the Chairman of the Company into the loss in the districts of Anantapur and Chittoor and the details of action taken to fix responsibility on the officials for their acts of ommission and/or commission noticed on such investigation. (Parc 14.3)

58. The Committee desires the CCS to ensure that such delays are avoided in future. (Para. 14.6)

59. The Committee directs that the Company shall submit by June, 1993 a report indicating the manner in which the loss was proposed for regularisation. (Para 14.9)

60. The Committee recommends that APSCSC to which the activities of the Company were transferred (from Nov. 1991) shall introduce a suitable system for regular review of trade deposits and security deposits collectable and those collected as also the adequacy thereof. (Para 15.3)

61. The Committee, therefore, recommends that CCS shall make adequate arrangements that are necessary for proper follow-up in all cases in which amounts are recoverable/realisable by the Company and that/CCS shall submit a report to the committee by June, 1993 on the action taken in the matter. (Para 16.3)

62. The Committee recommends that CCS shall arrange for early reimbursement of Rs. 150.35 lakhs by APSCSC to the Company. (Para 16.6)

63. The Committee recommends that CCS shall arrange for early reimbursement of Rs. 22.57 lakhs by Government to the Company. (Para 16.9)

64. The Committee recommends that CCS shall arrange for early reimbursement of Rs. 0.71 lakh by APSCSC to the Company. (Para 16.12)

65. The Committee directs that the Company shall furnish a report by June, 1993 indicating the total amount outstanding as imprest advance to DTs and the details of action taken in each case. (Para 17.3)

66. The Committee, therefore, directs that keeping in view the results of audit for the year 1984-85 (all district offices) and

1985-86 (11 district offices) and also considering the fact that delay in detection of financial irregularities would render the process of intiating follow-up action difficult, the Company shall (i) arrage the completion of audit of transactions of all district offices and the Head Office up to October, 1991 by IA wing and (ii) ensure proper follow-up action in all cases of financial irregularities involving recoveries from the employees including deputationists, DTs and other parties (stockists, transport contractors, Fair Price shop dealers etc.) (Para 18.4)

67. The Committee, taking note of the fact that the activities of the Company were transferred to APSCSC from 1st November 1991, directs that the Company shall prepare exhaustive lists, district-wise, indicating the amounts determined as recoverable and the amounts recovered from its employees (including deputationsists), DTs and other parties, viz. stockists, transport contractors, Fair Price shop dealers, as on 31st october, 1991 towards value of stocks and/or cash misappropriated and towards losses sustained by the Company by way of interest charges, additional expenditure, etc. The Committee directs further that the Company shall furnish a report by June, 1993 indicating in each case, the amount pending recovery and the details of action taken for recovery of the amount due as also the details of action taken to fix responsibility against the officials for their acts of omission and/or commission which rendered possible the misappropriation of stocks and/or cash or loss to the Company. The company urges the VC and MD of APSCSC to keep a watch over these cases as the activities of the erstwhile ESCOM have been merged with APSCSC. (Para 19.2)

68. The Committee directs the Company to make all out efforts for recovery of the amount of Rs. 1.24 lakhs due from SC beneficiaries who were sanctioned loans for establishing Fair Price shops but are not continuing as fair price shop dealers. (Para 20.1)

69. The Committee, therefore, directs that the Company shall prefer a claim on the DCMS and realise the amount of Rs. 0.09 crore and submit to the Committee a report by June, 1993 on the results of action taken in the matter. (Para 20.2)

70. The Committee recommends that the APSCSC which has presently taken over the activities of the Company shall ensure that the storage tanks are put to proper use without any further loss of time. (Para 20.3)

71. The Committee desires that the Company shall dispose off the remaining 4 tankers and submit a report to the Committee by June 1993 on the action taken in the matter. (Para 20.4)

72. The Committee directs that the Company shall assess and recover rent from APSCSC for the period upto 1988 and keeping in view the fact that its activities have been transferred to APSCSC, the Company shall initiate action for the use of the complex by other organisations depending upon the availability of surplus space and submit a report to the Committee by June, 1993 on the action taken in the matter. (Para 20.5)

73. The Committee directs that the Company shall pursue the matter of recovery and submit a report by June, 1993 to the Committee on the action taken in the matter. (Para 20.6)

74. The Committee, keeing in view the fact that the Company's activities are already transferred to APSCSC, recommends that the Company shall initiate action for disposal of these houses by transfer to other organisations and submit a report by June, 1993 to the Committee on the action taken in the matter. (Para 20.7)

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